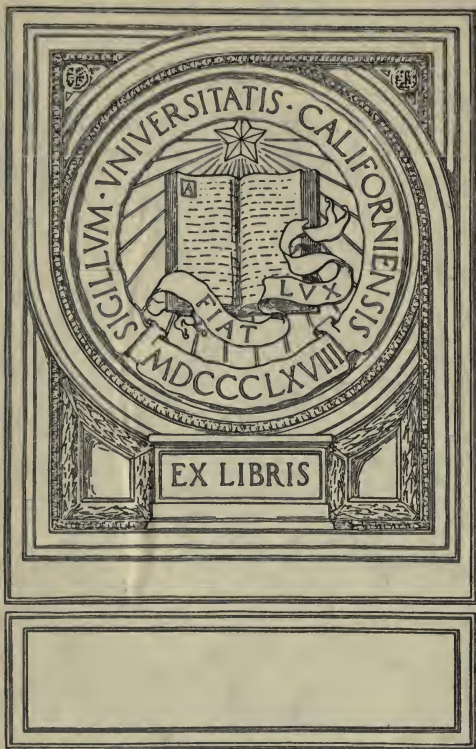




FOUR ESSAYS.

THE SCIENCE OF POLITICAL ECONOMY.

Political Economy and Industry and their relations.

IMPOLICY OF PROTECTIVE DUTIES.

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THE SCIENCE OF POLITICAL ECONOMY.

THE pure mathematics is the only science, of which the subject matter seems susceptible of exact and rigorous definition. By whatever term we think proper to distinguish the knowledge of the properties of space and number, these properties, as well as the subject matter of them, must ever remain unchanged. It is true that properties, before unknown, may in the progress of the science be made known, and the sphere of science be thus enlarged; but the *subject matter* must ever be the same. In mathematics, we contemplate the properties of that *being*, (if I may so express myself,) which not only can undergo no change, but in which no change is *conceivable*, and which therefore is susceptible of the utmost exactness of definition. Nothing that we can *form any idea of is like it*, and as we cannot by any means conceive the idea of its being annihilated, it follows, that its existence is the necessary accompaniment, and, as it were, condition of all that we can think, or feel, or know.

In all other sciences, the subject matter of examination, however durable (in the common acceptation) in its nature, is neither, so far as we know, immutable nor eternal; and can easily be *conceived* to be annihilated. We shall not enter into the question, whether *matter* itself can be conceived annihilated, still less into that, whether it exists at all, and is not a mere quality of mind: all that we affirm is, that the particular forms under which matter exhibits itself to us, may be conceived changed; and this suffices to enable us to perceive a broad line of distinction between the sciences which are concerned about matter, or rather about the forms and appearances of matter, (we confine ourselves here to the physical sciences,) and that one which has for its object the properties of space and number. The same distinction may be drawn between the mathematics and those sciences which explain to us mental or moral phenomena.

Mind, like matter, exhibits itself to us under a great variety of forms, appearances and connections; and mental philosophy, or the science of the mind, consists in treasuring up and recording these forms, appearances and connections, and in arranging them under different, or under the same heads and classes, according to their nearer or more remote resemblances to one another. It follows as a necessary consequence, that as the sciences which compose either of these two great departments of human knowledge, mind and matter, are only separated from one another by the differences, or united by the resemblances of their subjects, and as these differences and resemblances mutually run into one another, (a resemblance always implying a difference,) they cannot admit of any greater exactness of definition, than the objects or classes of objects, about which they are concerned. We may observe further, that the same cause which in the definition of the physical and mental sciences renders mathematical precision impossible, renders it equally so, in all our reasonings in them. Nothing, however, could be more childish than to make this want of exactness an objection to these sciences; for it should be recollected that the mathematics itself, *in its application to practice*, is not less liable to the

objection than they are ; and, that it is only in its application to practice, that it possesses any great utility, or exercises any important influence upon the destinies of mankind. Although a right angle is a right angle to all eternity, and must possess forever all the properties ascribed to it, yet in reality, there never perhaps existed, in a material form, such a thing as an exact right angle. In applying, therefore, to material objects, mathematical theorems, all that we can reasonably expect to accomplish, must (after all) be, but an *approximation* to the truth. The imperfection of our senses, even when assisted by the most elaborate instruments of art, must ever present an obstacle to the attainment of mathematical exactness : and we may add, that, were it even attainable, it could scarcely be thought desirable, since it is difficult to understand, what can be the utility of a degree of exactness which, it is acknowledged, is inappreciable by our senses.

We have thought proper to suggest these reflections in entering upon the examination of the true scope and nature of a science, which by many persons is thought to be peculiarly liable to the objection of a want of certainty and exactness. In conducting this examination, and with a view to the object of our inquiry, viz. the illustration of the true scope and nature of the science of Political Economy, we shall probably avail ourselves, as well of what we regard the errors of economists, as of those truths or fundamental principles, which we look upon as perfectly settled and placed out of the reach of doubt or controversy.

With respect to the objection above alluded to, of a want of certainty and exactness in political economy, we shall show, that so far as it applies to the *nature* of the science, and the evidence upon which it rests, there is no better ground for it, than if it were brought against any other science founded only on experience and observation.

It will be admitted, we imagine, that all the objects, material or otherwise, which contribute the necessities, the convenience, the comfort, or the gratification of mankind, are divisible into two great classes, of those which *could not have existed without industry*, and those which are the *spontaneous growth of unassisted nature*.

In the first case man and nature co-operate, since, even in the simplest act, man is aided by the co-operation of something external to himself—as the air, the light, heat, &c. Where he not merely does an act, but by means of this act produces a change in a material body external to himself, it is clear that the change produced, is the result partly of his act and partly of the nature of the object operated upon. It is in this sense only that in the productions of industry, nature can be said to co-operate with the labour of man.

In the second case, nature does every thing, as in the production of wild fruits, or grain, or of the fish of the ocean, or rivers, or in short of any thing towards the production of which the industry of man does *nothing*. But with respect to these things it is to be observed, that very few, if any of them can ever be of any use to man, without the previous intervention of *some degree* of human industry. The fish must be caught, the fruits must be gathered, the grain must be harvested. Before the intervention of human labour, they are but *materials* upon which that labour must first be employed, in order to render them useful or agreeable to man. Although, therefore, many things, both animate and inanimate, exist independently of the industry of man, very few (if any) can be of any use to him, either for his support or pleasure, except through the intervention of some degree of

voluntary labour, more or less, according to the nature of the object upon which it is exerted. Although nature, in one country, may be more bountiful than in another—may co-operate more powerfully in the production of what is necessary for the support, or the comfort and pleasure of man; yet there is no part of the earth, however mild the climate, fertile the soil, or abundant the spontaneous growth of the animal, the vegetable or the mineral world, where some degree of labour is not necessary to the sustenance of life. We may say then most truly, that *industry* is the *nurse* of nature—but, that her cares and attention are the more or the less necessary, according as nature has a less or a greater portion of native and inherent vigour and activity. This then is all that the political economist desires to establish, that industry is a most *important agent* in the production of that great aggregate of objects, which contribute to the support, the convenience, or the accommodation of man. He will easily admit that air, light, and even water, are independent of human industry, although of the highest necessity to the well-being and existence of man: but these alone would be insufficient to his existence even. Industry then is called in to finish, what nature only began.

It appears, then, that *human industry* is concerned, more or less, in the production of almost every thing that we consume, or that is of any utility for the support, the comfort, or the convenience of life; it follows, that *whatever cause may affect that industry in such a manner as to influence the quantity, the quality, or the nature of its productions, must necessarily partake of the importance of that industry itself.* It is necessary here to point out a distinction which has been wholly overlooked by political economists, but which nevertheless is essential to a knowledge of the true nature of the science of political economy. We mean the distinction between the causes which influence *industry*, and those which influence *production*. The former are to the latter as a *part* to the *whole*. Whatever influences industry, influences production; but it does not follow, that, whatever influences production, influences industry.

Two nations may be equally *industrious*, yet one of them may *produce* much more of the necessities, conveniences and luxuries of life, than the other—the one is poor, the other is rich—the one is barren, the other is fertile—in the one, nature does little, in the other, much—in the one, her co-operation with the efforts of man is weak, in the other, powerful. Again, though equal in industry, the one may possess more skill and science than the other, and may consequently have adopted more effective processes in production—these processes are the cause perhaps of a more abundant production, but not a greater industry—they are not the cause of any change in the application of industry—they constitute the change itself.*

One manner of applying industry is admitted to be better than another, because it produces more: whether it does, however, or does not, is not the question with the political economist; he inquires not which of two or more methods of applying industry is the most productive: he leaves *this* to be determined by the experience of the tradesman, the manufacturer, the merchant, or the agriculturist; what *he* inquires after is the *cause* which produces this change in the application of industry. He may find, for example, that the cause of it is the discovery, that the new mode is easier than the old, that it produces more to the same degree of labour, that it

* They often operate as causes of a change, as will appear hereafter.

consumes less of the previous productions of labour: in other words, that it is the progress of science or knowledge, or a more thorough acquaintance with the objects or materials upon which the labour is employed. His object is to ascertain some extensively operative cause to which the change may be referred, and which will enable him to account for other similar changes.

Having ascertained the knowledge of a cause, which, wherever it exists, must affect the application of industry, he is enabled, from the presence of the cause, to foresee the effect produced. Having settled it with himself that *knowledge and science* are the basis of industry, under all its various and varying forms and appearances; having observed the important consequences resulting in some instances, even from a single discovery, (made perhaps *apparently* through accident,) he can no longer entertain any doubt, that the progress of knowledge is one of the most important and extensively operating *causes*, influencing the *application*, and as a consequence of this, the productiveness of industry. Bearing in mind this *truth*, so interesting to the philanthropist and so simple in itself, but which has, in practice and affairs, been so entirely neglected by all governments and legislators since the beginning of the world, he is at leisure then to examine into the *circumstances* which have a tendency to obstruct and retard, or to accelerate the progress of knowledge, and readily perceives the link which connects them through the medium of knowledge, with the increased productiveness of industry, and consequently the improvement and civilization of mankind.

The branch of political economy which relates to the important influence of knowledge, and to the circumstances which contribute to its progress and diffusion, or which have a contrary tendency, has received less attention than almost any other; and until lately, indeed, had been almost wholly overlooked. It is not to be expected, therefore, that we should attempt any thing more, than to point out some of the more prominent and obvious of the circumstances which have an influence upon the progress and diffusion of knowledge. We may mention among these, (nor is it the least important of them,) that of the juxtaposition or neighbourhood. The seeds of knowledge and observation are found in all men. All men have implanted in them, not only the desire to know, but also the capacity: they are all placed in a situation in which some degree of knowledge is absolutely necessary to existence. They are all urged by passions and desires, whose gratification cannot, without the previous acquirement of knowledge, be obtained. We see, therefore, that even solitary man could not be wholly destitute of an acquaintance with the nature and properties of the objects that surround him. Place him in society, and the sphere of his knowledge is immediately enlarged; but passing over the important moral relations which are suggested by the social state, because these are not so directly to our purpose, we would direct the attention of the reader to the advantages afforded by the social state for the advancement of the knowledge of external nature—of the relations of external objects to one another, and to himself; because it is to this part of knowledge that he is indebted, for not only the *improvements* of the arts which minister to the comfort and support of life, but for their very *existence*.

As these objects are very numerous, and require many of them a separate and almost exclusive attention, to be thoroughly understood in their various relations, it would be impossible for a single individual, in the short

life that is allotted to him, even under the most favourable circumstances, to extend his knowledge, if left wholly to his own unassisted efforts of observation, beyond a very few of them. It is then to the separate and combined observations of *many* that we are indebted for the progress of knowledge; in other words, it is to juxtaposition—to facility of communication—to *intercourse*; without which, no separation could take place, either among the employments of men, or among the objects of their attention. To professed treatises on political economy it belongs to illustrate the importance of a circumstance, which for us it suffices to have pointed out.

That the *denseness of population* has a tendency to accelerate the progress of knowledge, is only a corollary from the preceding proposition; and might be easily demonstrated by an appeal to history and experience. To these causes of the progress of knowledge we may add another, by reminding the reader of the well known proverb, that “necessity is the mother of invention.”

Necessity not only leads mankind to apply their industry with ardour and perseverance in the ordinary methods; it stimulates them also to the discovery of new and better methods of applying it. Its influence therefore upon industry is two-fold; *direct* by giving an impulse to its efforts; and *indirect or mediate* through its previous effect, in contributing to the progress of knowledge. It may be observed, however, that where any branch of knowledge is pursued with a view to the improvement of industry, it becomes itself a distinct portion of the general amount of the national industry, and is liable, of course, to be influenced by similar causes. The influence of the *natural circumstance of necessity* in contributing to the progress of knowledge, and consequently to the improvements of the arts of industry, is perhaps nowhere more conspicuous, than in such a country as Great Britain at the present day, and during the last half century. The increase of people by creating a greater demand for agricultural produce, has led to an extended cultivation. Commons have been enclosed, heaths have been broken up, and improved methods of cultivation have been resorted to. The earth, indeed, has been made to yield far more than it ever did before; but the expense has been in proportion.

Where the labour necessary to the production of bread stuffs is great, as these must necessarily enter into the composition of every other commodity, every other commodity must also be produced with great labour, (i. e. expense.) It is sufficient for our purpose to state, that the labour necessary to the production of bread stuffs being greater than ever, it would necessarily follow, (unless, at the same time, less labour is necessary to the production of a given quantity of other commodities,) that *the whole aggregate amount of labour employed, for the production of the aggregate amount of commodities, must also be greater*. Hence great labour and moderate production; and consequently, low wages and low profits. But *in order to counteract this effect*, of an increased amount of labour in the production of bread stuffs, which, as we have just observed, causes a reduction of wages and profits, the ingenuity of the industrious classes has been exerted to the utmost, for the invention of machinery for saving labour, or increasing its productiveness.

Many and great improvements consequently have been made, both in agriculture and manufactures. These have had a tendency to correct, in some measure, the evil arising from the necessity of cultivating lands of inferior fertility. It is estimated, by writers of good authority, that within

a few years, in consequence of the invention of machinery for facilitating labour in manufacturing industry, the productive power has been increased an hundred fold. Nothing can be more childish than to object to this mode of reasoning, that inventions are the result of accident. It was an accident, it has often been observed, that suggested to Sir Isaac Newton the law of gravitation; but how much previous knowledge and reflection were necessary to enable him to take advantage of this accident?—Necessity, it is clear, has put men upon examining with attention every object and every operation, with a view to the discovery of some property or relation, by the application of which industry may be rendered more productive. But an extended and detailed illustration of its effects, both in stimulating the activity of industry, and in introducing improved modes of applying it, would be inconsistent with our prescribed limits. It is sufficient for our purpose to have pointed out one of the *circumstances* which, by influencing the progress of knowledge, affects also the productiveness of industry.

The foregoing observations suggest, 1st, the importance of industry in production, (in the sense in which we have hitherto employed it, viz. of effecting *useful* changes;) 2d, that there exist causes which affect the progress of industry, either by stimulating or repressing its activity, or by changing the manner of its application; 3d, that these causes are distinguishable from those which affect production *only*, and consist either in whatever increases the activity of industry, or changes the manner of its application. *The science which points out the causes which affect the progress of industry, either by stimulating or repressing its activity, or by changing the manner of its application, is a science by itself.* It is the science, which by some has been called “political economy,” by others, “the science of values,” and by almost all, “the science which explains the production, distribution and consumption, of wealth.” The objection to the *first* is, that it is too indefinite. Economy in private matters is connected only with the idea of saving and frugality, and does not suggest the idea of industry, or the causes which affect its activity and application. The least industrious persons are frequently the most saving and economical. The word economy is much too narrow in its meaning, to express at all the nature of a science which, of all others, is the most comprehensive. The great work which has been said most truly to have laid the foundations of this science, and to have pointed out the proper methods of investigating its laws, was not called by its author “a system of political economy,” but “an inquiry into the *nature* and *causes* of the wealth of nations.” The sagacious mind of its author perceived too clearly the true nature of his subject, to apply to it a term so ill-adapted to express it. Political economy may very well denote, the proper and prudent administration of the public finances—the judicious application of these to the payment of the necessary expenses of government. It would imply a knowledge of the objects necessary and proper to be effected by government, and of the *best and cheapest means* of effecting them. In this sense certainly it is very little different in its nature from individual economy: but, in its more enlarged and extended signification, it bears to it no affinity or relationship at all. It differs as much from it as the knowledge of a philosopher does from that of an upper servant, one whose business is, to hold his master’s purse, pay his current expenses, take his receipts, keep his accounts, and see that no unnecessary waste is made in the provisions entrusted to his management. Even where we extend the meaning of the term economy,

as applied to the affairs of individuals, to signify the management of a large estate, its resemblance to the science we have endeavoured to describe, is not much nearer than before. The steward of a landlord is generally little else than a tax-gatherer. His business is to see that the rent agreed upon is paid. What the amount of the rent is, or the rate of it, depends upon causes altogether out of the sphere of his control. It is the interest of the farmer to make the land produce as much as possible: out of this produce he must pay the ordinary wages of labour; what remains must pay him the ordinary profit upon the capital he employs; and if any thing is left, after the ordinary profit has been paid, it constitutes rent, and is due to the owner of the soil. Even, therefore, where the rate of rent varies, the business of the landlord (or his steward) is very simple, and consists in very little more than in ascertaining amounts expended and received—in preventing frauds, insisting upon the performance of obligations, and making all necessary calculations from fixed and certain data. This, too, is the commonly received idea of *economy* in private matters, taken in the sense the most liberal and extended. Nothing therefore could be so likely to mislead the student, when entering upon the study of the *science, which teaches the causes of national prosperity or decline, in so far as these are dependent upon national industry*, as the confounding in his mind the scope and nature of a science so comprehensive as this, with the miserable details and petty calculations of a book of debts and credits.

The objection to its designation as “a science of values” is, that it leads to a false conception of the real nature of the science, which it presumes to describe. This science, it is true, takes notice of the quality of value. None but objects of *value* are the objects of *industry*: all the circumstances, therefore, which influence or affect industry, are, in the nature of things, connected more or less, with the production of those objects of value which result from the exertion of industry. It is the *value* of such objects that has made them to be sought by industry. But, to be satisfied of the important truth, that value is the basis of industry—that had objects no value, (whatever might be their utility,) they could never be the objects of industry, and that consequently in such a case, the existence of industry would be impossible, is to make but a single step in the science. It is, in fact, only to generalize, and give expression to a truth, that in his practice and conduct in particular cases, the most ignorant *savage* shows himself as well acquainted with, as the most enlightened philosopher.

The Indian who goes forth into the forest in search of deer, and who endures all the fatigue and privations incident to hunting, although it has never occurred to him to ask *why any object has value*, nevertheless, *acts* from the same view of the object that he desires to possess, that the philosopher takes of it, when he affirms it to have a value. The former *acts* from a perception of a relation connected with a particular object which the latter affirms to be the essential characteristic of value, in all objects whatever. The former is sensible of two things, 1st, that the object he seeks to possess has utility, and 2d, that it cannot be obtained without a sacrifice. The latter considers that none but an idiot will give any thing (*i. e.* will make a sacrifice) to obtain that which may be obtained *without* making a sacrifice. Hence he learns the true nature of *value*, and that all human industry has for its object the production or creation of it. In other words, that though the design of human industry is the production of utility, it is of some description of utility *which could not exist without the*

exertion of industry; and as industry always implies *sacrifice*, the utility which it creates must always have a value.

But to have learned this truth, which in fact comprehends the whole doctrine of value, is to have made only one step (an important one certainly, but still only *one*;) in the great science, which treats of the "causes of the progress, or decline, of national industry." The importance of the doctrine of value is seen in this, that it enables us to apprehend the causes which give rise to those *fluctuations* in the relative value of objects, *which themselves act as causes in altering the channels, and changing the direction and application of industry*. The doctrine of value, then, though an *essential* part of the science, is still *only a part of it*. The naming this science, therefore, "a science of values," was necessarily abridging it of its legitimate limits, and could only have arisen from a misconception of its true nature and object. We have quite as great an objection to its being called "the science which teaches the production, distribution and consumption, of wealth." We have already observed, that the distinction between *industry* and *production* had not been sufficiently attended to. We contend, that the science which we are endeavouring to explain the nature of, *seeks to develop the causes which affect industry*. Now, *industry* is the result of *will*, and consists of *voluntary* acts done with a view to the attainment of some object. The industry of freemen is influenced by the hope of reward—that of slaves by the fear of punishment; but in either case it is effected through the medium of the will. The energy and intenseness of industry depends upon the energy and intenseness of the will, which latter depends (where the mind is not weakened by disease) upon the strength of the motives which actuate the will. Hence, as what is called the prosperity or decay of industry, is owing in a very great measure to its energy or relaxation, we must look for the primary causes of it, to the motives which actuate the will; in other words to the position or circumstances in which men are placed. Industry is the agency which man *voluntarily* gives, in the process of production. Production is the effect of this voluntary agency on the part of man, co-operating with natural agencies, which are independent of his volition. It follows, that in order to understand the means by which *industry* is to be affected—to be strengthened—to be relaxed—to be destroyed—or to be produced; it is only necessary to study the motives which actuate the will—in other words, to consider the various ways in which the will is influenced by the different positions in which men are placed, or the circumstances that surround them.

We have already adverted to the importance, or rather the *necessity* of intelligence and experience, in applying industry to the work of production, and have reminded the reader that, as the advance of knowledge is one of the chief causes of the improved efficiency of industry, all circumstances which contribute to the progress of the former, must be more or less favourable to the improvement of the latter. How wide a field of speculation is opened by this suggestion, for looking into the less obvious causes which exercise an influence over the development of the industrial energies of a people, has been already hinted at in what we have said above. It can scarcely be thought necessary, after taking this view of the subject, to insist upon the distinction between industry and production—the one being a mere agency, that of man co-operating with other agencies, those of other parts of nature; the other the end, the object, and the effect of this mutual co-operation. It is evident, that as there are two distinct agen-

cies in the work of production, it is necessary to understand the laws of *both*, before the effect of their mutual co-operation can be judged of. The farmer, for example, who is acquainted with the nature of different soils, and of grain, with the laws of the seasons, and the effect of heat, rain, moisture, &c., will tell you that *if* you plant a certain extent of a certain description of soil, with a certain quantity of grain of a given sort, the result or *production* will be of a certain amount and kind. It is clear that his position is wholly *hypothetical*. He can only tell what will be the result under the *supposition* that a certain act is done, which can be done only through the agency of man, in other words, through his industry. His knowledge, therefore, is useful in helping us to the result, only in cases in which certain conditions are assumed as fixed or established; where the question is about the production of a particular field, therefore, or a certain number of acres, his knowledge may be very useful; the question in that case is, *not* whether the acres will be cultivated, or how they will be cultivated; but how much or in what kind they will produce, *if* cultivated, or *provided* they are cultivated in a certain manner. When, therefore, the question is extended to the production of a large territory, his knowledge becomes wholly insufficient for the solution of the difficulty. It becomes necessary then to know *also* the laws which regulate the application of industry, or the circumstances which affect it, either in respect to its intensity or its direction, and to observe farther in the case under consideration, what circumstances actually exist which may influence either its intensity or direction. The knowledge of the farmer consists, in an acquaintance with the agency of a certain class of objects in the work of production, but, *as it does not comprehend also*, an acquaintance with the agency of another equally important class, it cannot enable him to judge of production, which is the result of the mutual co-operation of the agencies of both. A treatise on agriculture could not, it is evident, with any propriety, be entitled a treatise "on production," and for a like reason the title would be equally inapplicable, to a treatise upon the "*causes which influence the application of industry.*" The science of "production" can comprise no less than the knowledge of *all* the agencies which are necessary to production; it is therefore, a far more comprehensive science than that, which undertakes only to indicate the circumstances which, *influencing first the will*, affect through that medium the direction and application of industry.

We come now to consider that part of the definition, which is comprised in the term "distribution." We must observe, in the first place, that if by the term *distribution* we are to understand exchange, and of course *voluntary* exchange, distribution implies no act, by which particular classes, or individuals, as the government, the judges, the clergy, the land owners, &c., draw and appropriate to themselves a larger portion of the value produced by the industry of society, than is due to them according to the equitable laws of a mutual and voluntary exchange. Distribution, in this sense, is merely that dealing out and exchanging the productions of industry, which, while it does not affect the relative wealth of the different members of the community, is, wherever there is a division of occupations, highly convenient (if not necessary) to all. Distribution, according to this interpretation, is the result of buying and selling. It takes place, wherever there is a division of labour and occupations, either among the members of the same community, or among different communities, who happen respectively to possess peculiar facilities for the production of different

descriptions of commodities. It is therefore of the greatest utility to the convenience and well-being of society, by enabling it to derive from the division of labour and employments, the advantage of a far more abundant production. In so far as it contributes to give increased activity to industry, it is properly *among* the causes which it is the aim of our science to develop. In other words, the voluntary interchange of different commodities for one another, according to the rules of natural equity, which is so highly useful, or even necessary, is only so far considered in the science called (improperly) *political economy*, as it may be supposed to influence the application of industry. Distribution, considered as the *effect* of this interchange, is itself the result of industry, and consequently comes properly under the head of *production*. If, therefore, the term "production" be rejected from the definition of the science, "distribution," as understood above, is of necessity excluded also.* But the term distribution has another meaning. It is made to denote that *modification* of the natural partition of value, resulting (as we have shown above) from mutual and voluntary exchanges, which is the effect of the positive and arbitrary institutions of society. Property in objects of value is acquired by inheritance, by will, by deed of gift, by long possession, by marriage, and in many other ways, according to the varying codes of different countries of the world. In some, land-property upon the death of the owner, goes to the eldest son; in others, to all the sons equally. In some, the personal property of the wife becomes, upon her marriage, absolutely vested in the husband—in others, upon a divorce between the parties, the husband is compelled to refund the whole of his wife's fortune, and this, whether he has had children by her or not. In some, if gold, silver, plate, bullion or coin, is found hidden in the earth, and the owner is unknown, the treasure so found belongs, under the name of *treasure-trove*, to a corporation called a *king*—in others, it belongs (as it ought to do) to the finder. In some happy countries, (I should rather say *one* happy country,) whatever a man earns by his labour, and the sweat of his brow, is his own, and cannot by any means be taken from him; a very small and moderate deduction being made, as a simple equivalent for protection. In almost all others, not only does the rule of appropriation bear very unequally upon different classes and persons, giving very absurd and unfounded preferences to one above the other; it even violates, for the advantage, real or supposed, of those in power, the plainest and most obvious dictates of natural equity. *Distribution thus understood, is the result of force.* It is not that which would take place in the ordinary course of voluntary exchange. It forces and it keeps together, masses of wealth, on particular spots, which, if permitted to circulate according to those natural laws whose operation is disturbed by its arbitrary interference, would generally be productive of a far greater benefit to society. It is not in *itself* a matter about which the *science which indicates the causes which influence industry*, is at all concerned; but, as the arbitrary regulations by which it is effected, interfere more or less immediately with the direction and application of industry, *they* are, in the strictest sense, the subjects of scientific investigation. This view of the nature of distribution, and of the relation that it bears to industry, enables us to judge of the propriety of admitting it into the definition of our science,

* That is to say, the "political economist" would not interfere with this distribution, but leave it to the sagacity of individuals.

with which, it appears, it is only in so far connected, as it has an influence upon the direction and application of industry.

Consumption in this science, is consumption of *value*. With any other consumption we have nothing to do. Whenever a man makes any *sacrifice*, as of labour for example, or, which is the same thing, of the product of labour, *he consumes a portion of value*. All voluntary consumption of *value* must be accompanied with production of some kind or other. A man of sound mind will not consume any portion of value, any object that has value, nor in short make any *sacrifice* of value, unless he expects in return to gain a greater advantage than he loses: *and this advantage, of whatever nature it may be, whether it be pleasure, or the means of pleasure, or safety, or relief from pain, it is to all intents and purposes a production*: and being the result of a sacrifice or consumption of value, it is of necessity a production of value. To begin with the simplest case of consumption, let us take that of man, who applies his labour to the production of any article or commodity, that he expects to derive any pleasure or advantage from. Here we have consumption in the first place, and production in the second. His labour is a sacrifice, or consumption of his ease, comfort, pleasure—an exertion he would not make, except with a view to the production of some desired effect; and the effect produced, that is, the commodity, is the reward of his labour, and stands in the place of what he has consumed. If he worked for wages, his labour would be his *consumption*—his wages his *production*. Let us take another case; that of a man who gives up to another the possession of some object, the possession of which is an advantage, or which in other words has the quality of utility, and at the same time is of a kind that cannot be obtained or had, without some sort of sacrifice (for this last condition is essential to its being an object of value). It is clear, that in parting with such an object he makes a sacrifice of the advantage of its possession: in other words, its *value* as regards *him* is consumed: here, then, is the consumption; if, in return for the object thus given up, he receives some other object, the possession of which is in his estimation a greater advantage, and which could not be obtained at a less sacrifice than he has made for it, the exchange to him is a profitable one; in other words, his production exceeds his consumption; the advantage he gains, is greater than the disadvantage he incurs; the balance is in his favour, as it may also be reciprocally with the other party to the exchange—a proposition which loses its paradoxical air the moment it is recollected that the terms sacrifice and consumption, are more or less relative in their nature, and that what is a great sacrifice or consumption to one person, may be a comparatively small one to another. It is clear, that in this case as in the former, there is both consumption and production—consumption of the *value* of the object given, and production of that of the object received in exchange: and it must be recollected, that where the effecting the exchange is accompanied with any *additional* sacrifice of whatever kind, this also must be balanced by the value of the object received in exchange—otherwise the exchange could never take place. It is perfectly manifest that the principle of this case is quite the same with that of the former one; in the one there is sacrifice, or consumption of ease, comfort, pleasure—in the other of the means or instrument, the possession of which was supposed to bestow ease, comfort, pleasure. In short, in either case there is a sacrifice: the particular nature of the sacrifice is a matter of no consequence. Whether a man, therefore, gives his labour, or that which

cost him labour, or that which, though it did not cost him *individually* any labour, yet has a *value*—he performs the act of consumption, no less than if he kept the valuable object in his possession, until its value had ceased through time or use; (the value of an object depending, as we know, as much upon its utility, as upon the necessity of making some sacrifice in order to obtain it). The use of an object which has no *value*, is not, as we have already said, *consumption*, in the sense in which we employ it in science. The use of air, or water, for example, is no consumption; because, however useful they may be, they cost nothing, and can be had without any sacrifice. Consumption, therefore, is not to be understood in the popular sense, as signifying the use and destruction of an object; but in the more exact sense of the destruction of, or *parting with, a value*. Viewing the subject in this light, it is very certain, that there is no production which is the result of human *industry*, which does not involve the idea of consumption. The slightest exertion of *industry* is a consumption of value. If it results mediately or immediately in the gratification of some natural appetite, sense or passion, the value consumed is not lost: if the gratification is *more* than a mere compensation for the exertion, the value is *advantageously* consumed. As objects which have no value may be destroyed or consumed, either with advantage or without, according to the manner of the consumption; so may objects that have a value, or (to use a more general expression) so may *values*. The water that we drink, and which contributes to sustain life, or that which we use for cleanliness and health, is consumed with advantage; as well as that which, for a variety of purposes, is converted into steam, or which is employed in the processes of the culinary art. But the water of a spring, which is wantonly or accidentally poisoned, or otherwise rendered unfit for use, though equally destroyed or consumed, is destroyed or consumed without advantage. In this case, however, the consumption is attended at least with no *loss*, since the object consumed is not supposed to have had any *value*. But the consumption of *a value, or of an object of value*, (the only sort of consumption that we have any thing to do with,) if it does not result in some advantage, immediate or remote, is a positive loss. If a man labours and gets nothing for his labour, his labour is lost: a value is consumed without any advantage. If he has a bushel of wheat, which he has purchased at the expense of a week's labour, and through some mischance it is destroyed or wasted, or in some other way he is prevented having the fruition of it; here, too, at least so far as *he* is concerned, a value is destroyed without any profit or advantage; in other words, we have a case of consumption without production: or if a barn full of corn is permitted to rot, or a ship constructed at great expense and labour to decay upon the stocks, or a man suddenly dies or is killed who had been at great trouble in preparing himself to be useful, both to himself and others—from these cases, and a thousand others that cannot be enumerated, we may form a correct idea of what is meant by an unproductive consumption of value. This way of considering the subject of consumption, enables us to perceive the importance of the *manner* of it, since upon the manner of consumption depends the question *how far it is advantageous or productive*. A man may labour and produce nothing, either useful or valuable—a different manner of labour, that is, of consumption, would have produced both a useful object, and a valuable. He may part with an object that has value, (another mode of consumption,) and receive nothing of value in return, or he may receive a full and equi-

valent value in return. He may permit an object of value to remain until it no longer retains its useful quality, in a situation in which it yields none of that advantage or benefit with a view to which it was produced: or on the other hand, he may keep it from the moment of its being produced, in the situation the most favourable for the thorough development of its useful capacities.

We have said, that our science has no concern about the particular processes that may be adopted in production—that the selection of these must be left to the ingenuity, knowledge, and acuteness of individuals, directed by experience, and stimulated by necessity and the natural desire of gain—that the sole object of the science whose scope and nature we are endeavouring to ascertain, is to point out and record all the circumstances, whether natural, or springing out of the artificial regulations of society, which exercise any influence upon the application and direction of industry, upon the activity and intensity of it, or upon the particular form and character that it assumes. Order, justice, the security of property, for example, by holding out to men the hope of enjoying the fruits of their industry, serve to animate its efforts and to enliven and invigorate its spirit; while the political or physical condition of a nation, by suggesting particular wants or presenting particular facilities, or difficulties, communicates to industry that particular form and character, by which it is found to be distinguished. To take a very important branch of industry, that of education, for example, it will be found, that in all nations it has accommodated itself to what the exigencies of their situation demanded. In those, whose position with respect to their neighbours, exposed them to invasion or aggression, education assumed a military character. A narrow, a rocky, or a barren territory, (as in the instance of the Phœnicians) has directed industry into the channels of commerce and the arts of manufacture, while the materials of these have been supplied from territories of greater fertility and extent. Fertility and extent of territory, on the other hand, have given rise to that form of industry which we call *pastoral*, and which, in the progress of society, and in consequence of the increase of population in proportion to the extent, and of course the productiveness of pastures, has given place to agriculture. But in every description of industry, whether agricultural, manufacturing or commercial, there must necessarily be consumption, in the sense in which we have explained it. Every change in the activity, or form of industry, supposes a change in the degree or the manner of consumption: and a labour-saving machine saves *consumption*, no less than an invention for making objects of value more durable, without rendering them less useful, in a given time. Although there can be no industry without consumption, there may be consumption without industry. We have already made it clear that there may be consumption without production, (*i. e.*) the destruction of a value, without the production of one: but such consumption can seldom occur, inasmuch as it is generally the production of a value, that offers a motive to the consumption of one: on the other hand, nothing is more common than consumption without *industry*, since without industry, a value previously produced may be destroyed, and another value created in its stead. This occurs in the enjoyment or fruition of those objects whose use is accompanied with immediate pleasure or satisfaction; as when we eat, drink, listen to agreeable music,* lie on a

* Music, that is, *ordinary* music, is like gardening labour, very badly paid, and for a similar reason, that it is one of the least disagreeable descriptions of industry: *it almost*

soft bed, or in any other way, enjoy an object for which, or for the use of which, we part with any value. In all these and in all like cases, the enjoyment or pleasure we receive, is the value *produced not by the use, but by the previous labour*. The value *consumed* consists, either in the destruction of the object used, or in the parting with the value which we pay for the use, or enjoyment of it. If the use of the object consumed is not accompanied with any immediate advantages, but on the contrary with pain and labour; then, the result of this *double* consumption, first of the object consumed, and secondly of industry, should be clearly of a value greater than either of the values consumed. If, for example, a man uses a knife having a certain value, and with it, and with considerable pain and labour, (*i. e.*) the additional consumption of his ease and comfort, makes a boat, (the material of which we will suppose to have cost him nothing,) and when the boat is finished, the knife is thoroughly worn out and good for nothing, it is quite clear that the value of the boat ought at least to equal both the other values consumed put together: if it does not, production falls short of consumption, and a loss is sustained. If a man purchases a dinner of beefsteak for twenty-five cents; the value of the gratification or enjoyment that he has procured for himself must be estimated, not by the sacrifice both of the twenty-five cents and of the beefsteak that he has consumed, into the bargain; but by the sacrifice of one of them *only*: for *both* of them did not belong to him, or he would not have given one of them to purchase the other. So, if a man gives his labour to procure any thing, and afterwards parts with the latter, or (which is the same thing) destroys the utility which it has derived from his labour, in order to obtain some enjoyment, or the means of some enjoyment; the value of the latter is to be estimated, not by the value of the labour, and the value *also* of the object produced by it, but by that of one only of them; for, as we observed before, they did not both belong to him at the same time. This case does not differ in the least from that of a piece of money representing a certain value, which is paid away in the purchase of some commodity, which again is exchanged for some other, and this for a third, and so on through an hundred different exchanges; in which case it is very certain that, (except where any additional industry or consumption of value is supposed on the part of the owner of the piece of money) the last commodity received in exchange, has no greater value than any of the intermediate ones, or than the piece of money with which the first purchase was made.

From the foregoing analysis of consumption, we derive this most important conclusion, *viz.* that industry itself is *merely one mode or form of consumption*, and that the subsequent enjoyment or fruition of an object which has resulted from industry, cannot with propriety be added to the previous consumption of industry necessary to its production, to denote the general amount of value consumed; and (as a corollary of this) that the latter description of consumption, which takes place in the enjoyment and fruition of an object of value, forming no part of that consumption which falls under the head of industry, is not properly an object of attention in the science, "*which investigates the causes which affect industry.*" On the other hand, when the consumption, or destruction of an object, the product of previous industry, is accompanied by additional industry, (as in the

pays itself: the sacrifice made by the musician in the exertion of his talents is in part paid for by the pleasure of listening to himself—the consumption, therefore, of value is not great, and consequently should not bring a great value in return.

case above mentioned of the knife, &c.) the last mentioned amount of industry must be added to that expended upon the production of the object destroyed, to denote the whole amount of industry or consumption necessarily entering into the value of any other object, sought to be produced, by the destruction of the first. The ultimate *production*, upon which the importance of all intermediate production depends, is that of pleasure, or enjoyment, of the gratification of some desire, the satisfaction of some want or appetite. The intermediate production of the means, or objects by which this end is attained, is without value, except with reference to it. This end attained by any *other* means would be the same. So with respect to consumption: consumption, that is, primary consumption, consists of pain, labour, trouble, risk; the encountering disagreeable, or painful, or perilous situations; the performance of difficult and laborious undertakings; the making efforts of mind or body, the sacrifice of advantages, situation or enjoyment: it is by the measure of this consumption that we estimate the real value of the objects produced by industry. The intermediate consumption or destruction of the objects produced, *unless* it be accompanied by additional industry, must be left wholly out of the account in reckoning the general amount of value consumed. But it is true that the consumption of most objects (or at least of a great many) is accompanied with additional industry. This applies universally to all tools, instruments, and machinery for facilitating labour, and is more or less applicable, though in a very slight and almost imperceptible degree, even to those objects whose use and consumption are accompanied with immediate pleasure and gratification.

After what has been said, it must be very obvious, that, although every act of industry is an act of consumption, yet the converse of this is *not* true, viz. that every act of consumption is necessarily an act of industry; for, as we before observed, the consumption or destruction of any thing of *value*, the product of previous industry, must be left wholly out of the account in reckoning the amount of consumption by which the *ultimate value* is produced, viz. that of the pleasure, gratification, or enjoyment which the object is fitted to afford. The only description of consumption that our science is concerned about, is that which accompanies, or forms a part of, every act of industry. Consumption thus understood and limited, is the proper object of scientific investigation. The circumstances that influence consumption in this acceptation, influence industry exactly in the same manner, and the laws of the one are equally the laws of the other. With respect to consumption in the other acceptation, that of enjoyment, we must observe, that in the natural course of things it has a necessary correspondence with the first or primary consumption. Our *enjoyments*, it is true, may be greater or less, while our industry, or primary consumption, may continue the same: but while the latter continues the same, the *value* of the former can neither be increased nor diminished. Skill, and a knowledge of the best processes of production, may increase indefinitely our actual enjoyments, but nothing can increase their *value*, except an augmentation of the industry or primary consumption by which they were produced. As the utility of objects of value is not necessarily proportioned to the consumption of value necessary to their production, so, the degree of *enjoyment*, which a nation or community may derive from the productions of its industry, is not regulated by the degree of its industry. The continual effort of mankind is to augment their enjoyments as much as

possible, in proportion to the sacrifices they make to obtain them, or in other words in proportion to the consumption of value. The same degree of industry which, applied to one object, may yield a very large sum of enjoyment, applied to another, may yield a small one. Industry misapplied, as when it is applied to the production of a *superfluity* of any commodity, or of a commodity or object that no one wants, produces no utility. It is then value thrown away, no less, than if an useful and valuable object were thrown into the sea. With equal industry, a man is better fed, clothed, and lodged at the present day than he was one hundred or two hundred years ago—his enjoyments are greater, in proportion to the consumption of value necessary to procure them; but, the *value* of those enjoyments, or, which is the same thing, that of his fare, clothing, and lodging, will be found still proportioned, *not* to the superior utility and convenience of the improved articles, but to the consumption of value necessary to the procuring them.

We have offered these suggestions upon the subject of the consumption of value, in order to show how far the consideration of it is to be *regarded*, as forming a part of the science which points out the causes which affect, or influence, the direction and application of industry. It is clear that every act of industry involves a consumption of value: preceding therefore every act of industry should be an estimate, or comparison of what is to be lost or gained. Without such an estimate or comparison, the productiveness of industry must necessarily be a matter of uncertainty, or rather, of mere chance. It may therefore be taken for granted, as a general rule, that every man who has the option of exerting his industry in the way that he likes best, will be very much (if not wholly) influenced in his selection, by the consideration of the consumption of value and production of value, which he reckons will attend the exertion of his industry in any particular direction, or in any particular manner. It is through the certain, though silent, and almost imperceptible operation of this principle, that industry is directed into the innumerable channels of production which we observe in all civilized countries. It is because the consumption of value, or the production of it, in any particular channel, is, from some cause or other, greater or less than it was before, that the stream of industry that flowed into it, becomes more or less copious, or is entirely dried up. If, (to take an example from the operation of what may perhaps be termed with propriety a natural cause,) in consequence of the greater difficulty of working coal mines, an increased portion of labour should be required for producing any given quantity of coal; the real value of coal, if produced at all, must necessarily be greater: a still further increase of this necessary labour, or, in other words, of consumption of value, might lead to the abandonment of the mines; the production of value in the shape of coal being found not equal to its consumption in the shape of labour. The same effect would result from a *tax* levied upon the working of the mines, provided it were sufficiently heavy to make the consumption of value, including the tax, greater than the production; or, even greater than would be necessary to the production of an equal value in some other channel of industry. Thus either of these causes of a change in the direction of industry, is resolvable into a change in the relation between the amount of value consumed, and that of value produced in any particular employment. But, as the amount of value consumed is estimated by the *primary* consumption, (the nature of which we have explained above,) and that of value produced, by the

ultimate production, (the nature of which has also been explained,) it follows that this change in the relation between the amount of value consumed and that of value produced, includes almost every circumstance (if not every one) which can affect, or influence, or produce a change in the direction of industry. It will be found upon examination, that a bad season, which destroys the crops of grain; that an increase of population, which obliges men to plough up heaths, to cultivate moors, and to convert, by great labour, a rocky and barren soil into a productive one; that a law, forbidding the importation of grain from countries, where the land is more fertile, where the seasons may have been more favourable, or where corn from any cause is not so dear—it will be found that these causes of a change in the direction of industry, resolve themselves into the more general one just stated, viz. a change in the relation between the amount of value consumed and that of value produced: in other words, that it is by effecting a change in this relation, that they operate a change also in the direction of industry. All instruments, tools, labour-saving machines, all inventions of whatever nature for facilitating labour, or lightening its burthen, are clearly reducible to the same head; being useful *only* as they lessen the amount of value consumed, and thus change its relation to that of value produced. The same thing may be said of the *division of labour*, the incalculable advantages of which in almost all processes of industry, have been so often stated, and so ably illustrated, as to make any thing farther upon the subject unnecessary. Roads, canals, bridges, have the same object in view: they are constructed, when it appears that the consumption of value necessary to their construction, is repaid by the production of it resulting from their use. Rivers, bays, arms of the sea, facilitate intercourse; render the transportation of commodities easier and more expeditious; in other words, lessen the consumption of value, necessary to the attainment of the objects in view. Where the consumption of value necessary to the production of a commodity is given, the *demand* for it, though not the value, will rise, in proportion as you increase its utility. So also, if the primary consumption, or cost of production, be *diminished*, while the utility remains the same, the demand will infallibly be increased. It is clearly upon this simple principle that those things are in most general demand, which cost the least, and are at the same time, the most useful. A community derives an advantage from its industry, not in proportion to the absolute utility of the object produced by it, but to the *difference* between the utility and cost of them; or, in other words, according to the relation which exists between the primary consumption, and the ultimate production of it, constituting enjoyment or fruition. It is this *difference* that creates what, in the language of science, is called *demand*. The greater this difference, the more extensive is the demand; and the greater the demand, the greater invariably is the supply, or the industry directed to the object of furnishing the supply; except, indeed, where, through the impertinent interference of knavish or ignorant legislators, natural causes are not permitted to have free scope; and enjoyments, and innocent gratifications must be purchased, not at the moderate cost at which a bountiful nature has set them; but at that exorbitant and unreasonable one, at which rulers, in the plenitude of their wisdom and humanity, have thought proper to estimate their value. The increased demand for any object arising from its greater utility, or, which is the same thing, the greater desire to possess it, is always accompanied by some rise in what is called its market

price, or *value for the time being*. This increase of value for the time, is easily explained upon the principles which have been stated above. The purchaser in such a case makes a direct comparison between the sacrifice of *waiting* until the object can be produced in sufficient quantities to answer the increased demand, (when he will be enabled to procure it at its ordinary and real price;) and that of giving for its present possession and use, what has been procured at a greater cost, or consumption of value, than would be necessary for the production of the object itself *in the time that its production may require*.

The difficulty of obtaining any object of desire can alone bestow upon it any *value*. This difficulty *ordinarily* can be surmounted by human industry, and the object be produced in quantities proportioned to the demand, or to the difference between its cost and utility to the purchaser; in which case, no more value in industry or the product of it will be given for it than was necessary to its production: but where the difficulty *cannot* be removed by human industry, there of necessity no comparison *can* be made between the amount of industry necessary to its production, and that contained in any object proposed to be given in exchange for it. Take, for example, some *individual* object which we value for itself only, and not because it belongs to any species or genus; as the autograph of a favourite author, the only painting or statue extant of a particular hand, the relic of a distinguished personage, or the memorial of a friend. Something very *similar* perhaps may be produced by industry, but the object itself cannot. No comparison can be made between the value of what we propose to give in exchange for it, and the industry necessary to its production; since no industry it is supposed can produce it: its price, therefore, is not as in other cases limited by the industry, the labour, the primitive consumption of *value* necessary to its production. From these observations we are enabled to understand the true nature of scarcity, and the relation in which it stands, both to value and demand. Demand, we have already observed, depends upon a comparison between the utility of an object, and the cost necessary to its attainment; consequently, it varies with every change, either in the utility of the object or in the cost of its production. Demand, therefore, must be regarded as the true expression of the wants and desires of a community, considered in connection with the sacrifice, or consumption of value necessary to the supply of those wants, or gratification of those desires. It is the offer of a value under one shape or denomination, with a view to obtain a value under another shape or denomination. When a man offers his labour and receives a remuneration for it, either in money or any other valuable commodity, the value that he offers lies in the sacrifice of labour which he is ready to make. This offer is not less a *demand* than if he had tendered some commodity having a value. So if a man gives his labour to *fabricate* some object which he cannot perhaps so cheaply procure in any other way, he does nothing in fact but sacrifice *one* value to obtain another; he creates both demand and supply: and so would every one, and of course a whole community, were it not found that the division of labour and employments contributed to augment (as it does incalculably) the utility of the productions of industry compared with their *cost*, or the necessary consumption of *value*. As we may desire to possess an object, and yet be unwilling to take the trouble or give the labour necessary to obtain it; so we may desire to possess it, and yet be unwilling to pay the necessary cost or value in the shape of

some other object. In either case, we have an instance of inefficient demand. The necessary sacrifice is greater in our estimation than the object sought can compensate for.

It is clear, that demand thus understood, is the very basis of all industry. If demand for a particular object be greater, *while its necessary cost is the same*, it will be produced in greater abundance corresponding to the increased demand—if the demand for it be less, the supply will be less also. So if the demand for commodities *generally* be greater; that is, if the offer of *value* on the one side be greater, and the objects sought for are not yet in sufficient abundance to answer the increased demand, the deficiency will be made up by the production of an additional quantity of the objects in demand; or in other words, by the application and consumption of industry, for the purpose of producing an additional *value* in the shape of the commodities in demand.

Desire may exist without industry, but demand *cannot*, except where we admit the idea of force, violence, or injustice; which, by presenting a new obstacle, prevents the sacrifice or consumption of one value, and the production of another. Suppose, for example, that the price, that is, value in the shape of money, offered for a certain description of commodities, is sufficient to cover the natural cost of them—that the values proposed to be exchanged are equal, but that an exchange is prohibited by law, or that an artificial addition is made to the natural value of either, by means of a tax? In such a case no exchange can take place, unless either the law is violated, or the parties to the exchange are inclined to make the additional sacrifice required by law. If the party upon whom the tax falls, that is the consumer,* chooses to pay it, rather than forego the object of his desire, the demand still exists. The value of the object is *really* increased, though by artificial means; but the consumer is willing to sacrifice the additional value required, and the demand of course still exists.

Demand, therefore, properly understood, is, as we have before observed, the basis of all industry; they are linked together as cause and effect, and whatever affects the one, affects the other also. Industry is the sacrifice or consumption of value made, whether in the shape of labour, or of commodities the result of previous labour, to answer or supply the demand; that is, to be exchanged for an equivalent that is offered; the offer of which equivalent constitutes the demand. It follows of course, that the greater the demand is, the greater also is the industry destined to supply it; the less the demand, the less the industry. It can hardly be necessary, after what we have already said, to remark, that the value offered in demand, may for a short period exceed the value, that is, the *ordinary* value of the object in demand; upon the very same principle upon which a man desiring to have any article or commodity upon a sudden emergency, willingly sacrifices to obtain it something of much greater value. If he could obtain it *at the moment* at its *ordinary* value, he would not give for it a greater one. It is this continual tendency of the value offered in demand to rise above or to fall below the real or ordinary value of objects, that directs industry in the channels the most useful for supplying the wants and desires

* The operation of the tax is sufficiently simple. By raising the price at first, it diminishes the demand: the diminished demand obliges the holders of the articles to sell at a loss; and this again drives a portion of capital out of the employment of producing it: the equilibrium is thus restored: the weight of the tax may be felt more or less through all employments, but it falls chiefly upon the consumer of the article taxed.

of mankind; the excess above the *real* value being always followed by additional production corresponding in real value to the increased demand. It is this continual fluctuation of industry among different employments, according to the greater or less urgency of demand, that accommodates its efforts to the purposes or objects the most useful at the time, and prevents an unnecessary expenditure or consumption of value in the production of what does not afford any adequate return.

It cannot be necessary, after what has been said, to observe, that the course of demand governs the employments of *capital*; since, according to the analysis which we have made of the subject, *this* proposition is necessarily included in the *former*. Industry, we have said, is the consumption of *value* with a view to some useful end:* capital consists of the result of previous industry, and owes all its value to that industry. Its consumption, therefore, is no *additional* consumption of value, but must be referred to that *primitive* consumption which took place in the industry which produced it. Where its consumption is accompanied (as it always is) with additional industry, *there* an additional consumption of value takes place, and the result of production effected, should correspond in utility to this accumulated sacrifice of value. And we may observe in passing, that the objects constituting capital do not necessarily differ from others in their *nature* (though it be true that some can be used only as capital), *but only in the use or manner of consumption*. The real distinction consists in this, that the consumption of *capital* is always accompanied with some additional sacrifice—some additional consumption of value, by which means the *value* of the capital is augmented: whereas the consumption of objects *not* constituting capital, being unaccompanied by any such additional consumption of value, the objects consumed receive no addition to their original value. The illustration of this proposition would lead us too far from our present object, which is to show, that the application and direction of industry, *including capital*, are governed by *demand*—that demand, guided always by a consideration of the difference between the necessary cost of an object and its utility, determines not only the relative abundance of that class of objects which do *not* fall under the head of capital, but of that class also which do; and upon the same principle directs likewise to the selection of one mode, manner, or process of production, rather than another. The circumstance of any object or portion of value forming or not forming a part of capital, can make no difference with respect to the question of its being in demand, since this depends simply, as we have already stated, upon a comparison between its utility and the necessary cost of its production; and with respect to the particular manner of applying industry, considered apart from the value of capital, a direct comparison may always be made between one manner and another in reference to their expensiveness—their cost in labour, trouble, or in other words, the necessary consumption of *value* attending them. The larger description of *diamonds* are not in great demand at any time, because their utility is extremely small compared to their necessary cost. If their utility from any cause should become greater, or their cost less, or if both these events should take place, and the demand for them in consequence should be increased, more industry doubtless would be applied to their production, and a larger number of

* We have before observed, that the fruition or use of an object is properly the *ultimate* production, and that the consumption of it cannot be regarded as a consumption of value in addition to that which took place in the industry which produced it.

them be produced. The demand for the smaller description of them is somewhat more extensive, because the cost of their production is not so great in proportion to their utility. Diamonds, like all other commodities and objects of value, may constitute a part of capital or not, according to the use that is made of them. If they pass through the hands of the jeweller, watchmaker, or trader, and *upon the principle before stated*, are a source of profit to him, they are in his hands a portion of capital, but cease to be so the moment they come into those of the consumer or person who uses them for his pleasure. The demand made for them by the jeweller, watchmaker, or trader, is, like that of the consumer, regulated by a comparison between the utility of them to himself, and their necessary cost—their utility to him is in *a different kind* from that to the consumer, (as he is called,) but this circumstance makes no difference as respects his demand, nor as respects the supply of his demand. Upon the same principle upon which any class of objects are in demand as capital; that is, because their utility as a means of profit is great in comparison with their necessary cost—upon the same principle, one mode or manner of applying industry may with propriety be said to be in greater demand than another. It is adopted because it is in demand; and it is demand because it is found the cheapest means of accomplishing the object proposed, or in other words, because it is found the least disagreeable, the least laborious, the least troublesome means, of attaining the desired end. Thus we find, that demand founded on a comparison of utility and necessary cost or consumption of value, is, as we have already said, the very basis—the fundamental law—the universal principle of all industry; and consequently, that to be enabled to point out the circumstances, *natural* or *artificial*, which influence the direction and application of industry, it is only necessary to understand the manner in which they affect the *demand*, taken in the comprehensive sense in which we have explained it above.

POLITICAL ECONOMY AND INDUSTRY, AND THEIR RELATIONS.*

It is not surprising to those who know any thing of the progress of the other sciences, that that of Political Economy should have met with opposition from the intolerance of ignorance. It is, perhaps, wisely ordered, that truths, far removed from the ordinary appearances of things, and from common apprehension, should not be too readily admitted into popular belief. The reluctance with which they are received among the dogmas of common opinion, serves in the end, only to establish them the more firmly. It prevents, too, that unceasing fluctuation of theories, that interminable succession of doctrines and opinions, which must have resulted in the total destruction of all manner of solid and useful science. Political Economy, and more especially its early doctrines, seemed peculiarly obnoxious to opposition. To the ordinary motives to opposition in the case of the other sciences, must be added, in that of Political Economy, the very strong one of *interest*, very frequently immediate and personal. Political Economy has an immediate reference to what is to be done, or to be undone. It is true that it is purely a *science*, and, properly understood, *prescribes* nothing. Its object is to *ascertain* laws, and not to *prescribe* them. But in the early infancy of the science, even those who were the best informed upon the subject were not very exact with respect either to its object or its limits. Their views were narrow, and generally confined to the consideration of some question of expediency arising out of existing regulations; and, as they were generally themselves interested in the discussion of it, it was not surprising that their opinions should have undergone a hearty and zealous opposition from persons who imagined themselves equally interested in the dissemination of contrary opinions. The laws of trade, taxes, restrictions, bounties, monopolies, and other municipal regulations, were the earliest objects of attention to political economists. In the discussion of such questions, important facts must be stated, and general principles appealed to. To prove, for example, the injurious effect of monopolies, the principle of *competition* would be referred to, and many facts, connected with the history of monopolies, adduced, in confirmation of that principle. Or, to prove the absurdity of prohibiting the exportation of specie, in the ordinary course of trade, from the fear of diminishing the wealth of the country, it would be objected, that the wealth of a country does not consist in specie any more than in any other useful and valuable commodity. The step from discussions like these to an examination of the true nature and sources of national wealth, was very easily made. The inquiry then, however, became of a more general and comprehensive character, and required, for its successful prosecution, much more leisure and knowledge, and a much more systematic turn of thinking, than was generally to be found among mere men of business.

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From the hands of merchants, and manufacturers, and stock jobbers, it fell into the hands of philosophers. From this time it assumed somewhat more of a scientific form than it had done before. The meaning of the terms employed was more accurately examined—the connecting principle of its different parts began to be more clearly perceived—definitions were given of *value*, and of *production*, *distribution*, and *consumption*—juster notions of the true nature of national wealth began to be entertained—and those who engaged in the discussion of questions connected with the subject, had the advantage, at least, of speaking to each other in a language not quite so liable, as formerly, to misinterpretation or mistake. This did not prevent, nevertheless, a great difference of opinion from prevailing, concerning some of the most important points in dispute. According to the particular notions taken up in relation to the nature and origin of national wealth, different doctrines were embraced; and, as these speculative dogmas sometimes found advocates among men in power, they assumed the form of systems, and exercised not a little influence over the industry and wealth of the countries in which they happened to prevail. Mr. Adam Smith tells us, that the famous Minister of Louis XIV., (Mr. Colbert,) having unfortunately embraced the prejudices of the mercantile system, and believing that the true source of wealth was to be found in the industry of the towns, was willing, in order to encourage it, to depress and keep down that of the country. In order to render provisions cheap to the inhabitants of the towns, and thereby to encourage manufactures and foreign commerce, he prohibited altogether the exportation of corn. *The ill effect of this system was felt, more or less, in every part of the country, and many different inquiries set on foot concerning the causes of it.* “One of these causes appeared to be the preference given, by the institutions of Mr. Colbert, to the industry of the towns, above that of the country.”

As the system of Mr. Colbert gave an undue preference to manufactures and commerce, above agriculture, so that of the economists sought to encourage agriculture, at the expense of commerce and manufactures. Mr. Quesnai, the author of this system, taught that agriculture is the true and only source of all national wealth, and that the only *productive* class of labourers is that of the farmers and cultivators of the soil. Artificers, manufacturers, and merchants, were considered, by him and his followers, as wholly barren and unproductive.

These two systems, under the names of the commercial and agricultural systems, have been examined, at great length, by the author of the *Wealth of Nations*. He concludes his able account of them, by recommending the system of *a perfectly free and unrestrained employment of capital and labour*. Every other system, he observes, instead of accelerating the progress of a nation towards wealth and greatness, retards it; and, instead of increasing the annual value of its land and labour, lessens it.

Since the publication of the *Wealth of Nations*, no work of any reputation has appeared, upon the subject of national wealth, which has ventured to call in question the soundness of the doctrine of a free and unrestricted industry. The consequences of the establishment of the doctrine would have been highly important had it been understood and acted upon by those in whose hands are placed the direction and regulation of national industry and labour. It formed an era in the science of political economy; for, although many sensible and able writers had, long before the publication of the *Wealth of Nations*, taught the same doctrine, they had sup-

ported it upon such narrow grounds, and had mixed up so much error with truth in their speculations, that they can hardly be thought to have afforded any important lights to their successors in the same field of inquiry.

The grand defect of all these writers, was, that they formed no clear ideas with respect to the true nature and sources of national wealth. Their views upon this subject were partial, and often varying and uncertain; and hence the errors and inconsistencies into which they were so frequently betrayed. To point out these errors and inconsistencies, and the false doctrines and false systems to which they led, is not without its use, since it enables us to perceive the danger of too ready and incautious an admission of first principles in a science, in which, the adoption of an erroneous hypothesis may lead, often, to the most serious practical inconveniences.

We shall endeavour to place in a striking point of view the important agency of *industry* in procuring whatever contributes to the support, comfort and pleasure, of human life. When we look at the immeasurable distance that separates the savage from the civilized man—the comfortable mansion, the rich furniture, the costly apparel, of the one, and the miserable hut and poor garment of the other—we see the difference between what is done by industry and what is done without it; or, more properly, we see, on the one hand, the work of well directed, enlightened, and co-operative industry—and, on the other, the miserable poverty, wretchedness, and misery, that result from ignorance, sloth, and a want of co-operation. In truth, we shall find that unassisted nature does very little either for comforts or subsistence. Our own country affords one of the most striking examples of the prodigious effects of the productive powers of industry. It is scarcely two centuries ago since this great country, now containing, and supporting, in comfort or affluence, thirteen millions of inhabitants, with difficulty afforded a miserable and precarious subsistence to a few tribes of wandering savages. The country was not less extensive or less fertile then, than it is at present; the only difference is in the industry and intelligence of its inhabitants.—What were the ancient empires of the earth, their wealth, their grandeur, their monuments of art, their temples, cities, aqueducts, and pyramids? Were not all these the work of industry? Were they not deserts before that industry was exerted?—and, now that that industry has ceased, are they not deserts again? Look at the situation of England in the time of Henry VIII. and her situation at the present day. Every one, who has made himself in the least acquainted with the situation of that country at these two periods, must be struck with the vast progress that has been made, in the interval, in whatever relates to the comforts, convenience, and accommodations of life. The population has been more than quadrupled since the earlier period, and yet they are better clothed, better lodged, and purchase almost all the products of the mechanic and manufacturing arts, at a rate incomparably cheaper than they did at that day. According to the account of Cicero, Spain, in his day, was a more populous country than Gaul; for he mentions this circumstance as the reason why the former country was more formidable than the latter. We know how greatly the case is reversed in the present day; yet the climate and soil, and other mere physical circumstances of the two countries, are the same now that they were two thousand years ago. The only change that has taken place is in the comparative industry and intelligence of the people.

The vast augmentation that has taken place in the public revenue of the

modern nations of Europe, and particularly of England and France, enables us to form some idea of the effects produced by a well directed and enlightened industry. These countries are not a whit more fertile now than they were in the time of their darkness, ignorance, and poverty, except in so far as they have been made so by human labour; yet how incalculably greater are their resources at the present day, than they were then! The change in their surface is still more striking. Instead of the interminable and gloomy forests that once covered them—the barren heaths, and still more barren mountains, and the desolate rivers that wasted their waters upon an ungrateful people—we see, in every direction, smiling vineyards—cultivated fields, embracing whole regions with their verdant wealth—cities, with their busy population, their gay navies bearing to foreign marts the various costly products of their industry, or returning with rich freights from abroad. This is but a faint picture of what is every day seen in the thriving and industrious countries of the European world. It is the effect of *industry*; the triumph of toil and labour. When we turn our eyes towards the two Americas of the North and the South, we have new evidence of the paramount importance of industry in the production of wealth. South America, according to the account of Humboldt, is, beyond all comparison, a more fertile country, and richer in its natural and spontaneous productions, than North. It is capable of supporting a far greater population; yet, at the time at which Humboldt wrote his work upon America, the United States contained above eight millions of white inhabitants, while the whole number of whites in all Spanish America was very little more than three millions. The enlightened industry of the North Americans enabled them to multiply much faster than the Spaniards, notwithstanding the natural inferiority of their country in point of fertility.

Having shown the importance of the agency of industry in the production of whatever contributes to the support, the comfort, the convenience, or the luxury and splendour of human life, we shall now inquire a little more particularly into its nature and qualities, the laws which regulate its application and direction, and the relation which it bears to *production*, in the sense in which the latter word is employed by political economists.

Industry implies a voluntary act of mind or body, performed, not on its own account, but with a view to the attainment of some desirable object. It includes, of course, all descriptions of labour, toil, diligence, assiduity, pains, and care, voluntarily encountered, or undertaken, in order to attain some object of desire, or to avoid some evil or object of dislike. "The industry of freemen," says a writer in the twenty-fourth number of the first volume of the *Free Trade Advocate*, "is influenced by the hope of reward—that of slaves, by the fear of punishment; but, in either case, it is effected through the medium of the will. The energy and intenseness of industry depends upon the energy and intenseness of the will, which latter depends (where the mind is not weakened by disease) upon the strength of the motives which actuate the will. Hence as what is called the prosperity or decay of industry, is owing, in a very great measure, to its energy or relaxation, we must look, for the primary causes of it, to the motives which actuate the will; in other words, to the position or circumstances in which men are placed. Industry is the agency which man *voluntarily* gives, in the process of production. Production is the *effect* of this voluntary agency on the part of man, co-operating with natural agencies, which are independent of his volition. It follows, that, in order to understand the means

by which industry is to be affected, to be strengthened, to be relaxed, to be destroyed, or to be produced, it is only necessary to study the motives which actuate the will; in other words, to consider the various ways in which the will is influenced by the different positions in which men are placed, or the circumstances that surround them." We have thought proper to quote this extract, because it places, we think, in a proper point of view, the distinction between industry and production—a distinction very necessary to be kept in view in all our reasonings in political economy. We shall add, that *industry* and *production*, so far from being of the same nature, are, in fact, of a nature quite opposite. *All industry is of some description of consumption.* The latter term, in the vocabulary of political economists, signifies, simply, the destruction of a value. Industry, then, which is one description of consumption, and signifies, consequently, the *destruction of a value*, must necessarily be the very opposite of production—which, according to the same vocabulary, signifies the *creation of a value*.

As the proposition, that "*Industry is one description of consumption, and is the destruction of a value,*" may seem to be somewhat novel, and not warranted by the ordinary use of the terms in relation to one another, we shall endeavour, in a very few words, to show that it is substantially true. In all the sciences, and certainly not less in political economy than in others, nothing is useless which has a tendency to simplify. We shall observe, in the first place, that *every thing which we possess, and which we are unwilling to part with, must necessarily have a value.* If a man have any thing which he is unwilling to part with, to *him*, at least, it has a *value*. If he *do* part with it, he parts with a value. If he receive an equivalent in return for it, he is compensated, by the possession of the value he receives, for the loss of that which he has parted with. With respect to *him*, the value parted with is *destroyed*. If a man toils and labours, he parts with ease and comfort—he parts with them *unwillingly*, and only in consideration of an equivalent. If he encounters the danger of a loss of life, or limb, or liberty—exposes himself to hardships, or undertakes any thing which must be attended with anxiety or trouble,—he parts with his feeling of security in the one case; or, in the other, with his tranquillity and repose. No man willingly parts with these, except with a view to the obtaining of some equivalent. The man who labours and toils, then, who encounters hardships and dangers, who exposes himself to anxiety, trouble, and vexation, parts, it is manifest, with what, according to our notion of the word value, possesses the quality denoted by it. It is sufficiently correct to say, in general, with political economists, that labour is the measure of value. Undoubtedly it is so with respect to all objects to which this measure can be applied. The relative amount of labour necessary for the production of two commodities, respectively, determines their relative value; but, if one of them *cannot* be produced by labour, it is clear that, with respect to this one, labour ceases to be a measure of value. We shall here refer again to the Free Trade Advocate—(the twenty-fifth number of the first volume.) The writer says—"The difficulty of obtaining any object of desire can alone bestow upon it any value. This difficulty, *ordinarily*, can be surmounted by human industry, and the object be produced in quantities proportioned to the demand. * * * * * But, where the difficulty *cannot* be removed by human industry, there, of necessity, no comparison can be made between the amount of industry necessary to its production, and that contained in any object proposed to be given in ex-

change for it. Take, for example, some *individual* object which we value for itself only, and not because it belongs to any species or genus,—as the autograph of a favorite author, the only painting or statue extant of a particular hand, the relic of a distinguished personage, or the memorial of a friend—something very *similar*, perhaps, may be produced by industry; but the object itself cannot. No comparison can be made between the value of what we propose to give in exchange for it, and the industry necessary for its production, since no industry, it is supposed, can produce it.” Now, as the “autograph of a favourite author, the only painting or statue of a particular hand, the relic of a distinguished personage, or the memorial of a friend,” have an unquestionable value to the person who is unwilling to part with them, and as it is to this circumstance of his unwillingness to part with them that they owe their value, so the security, ease, comfort, tranquillity, and exemption from anxiety, which a man parts with when he labours—or, to speak more generally, when he exerts his industry—derive *their* value from the unwillingness he has to part with them. The value of such things, to the man who has them, arises from the *sacrifice* he must necessarily make if he were to part with them. As men are similarly constituted, this sacrifice, *in itself*, must be pretty much the same at all times and places, making some allowance for a difference of habits, education, and even of disposition and temperament. It is on this account that those things which may be produced by labour—or, in other words, by this sacrifice just-mentioned—seldom vary very much in their value, in relation to one another. If, from any cause, the desire to possess any one of them increase, and, in consequence, the demand for it become greater—or, in other words, if the value offered in exchange become greater—the application of additional labour to its production would prevent its price from rising very high. Were the object desired of *that* class which cannot be increased by labour, its price would rise with the *intensity* of the desire to possess it, indefinitely.

We think it sufficiently clear, then, that labour, or industry, though a *measure and regulator* of value, is not the foundation of it. We think it sufficiently clear, also, that properly considered, it is what we defined it—the consumption of a value. It is, however, only one description of consumption: for, though an act of industry always implies consumption, the latter does not necessarily imply the former. Consumption often intends enjoyment. When an object of value is destroyed in the act of enjoyment or fruition of it, we have an instance of consumption which forms no part of industry. Almost all objects which are the product of human industry, in a longer or shorter time, are destroyed and consumed by use and fruition. Their destruction, as they are objects of value, is strictly a consumption of value, but it is no part of industry.

We ought, perhaps, to beg pardon of our readers, for detaining them so long in elucidating a point which they may possibly think required no explanation. We know, however, by experience, that in matters so refined and shadowy as questions of political economy often are, very little is ever gained by precipitation and dogmatism. The subject can scarcely be viewed in too many or various lights, and it is better, perhaps, to subject ourselves to the charge of tediousness, than to the more serious one of error or want of perspicuity.

A clear perception of the difference between industry and production, is important in this respect, that it enables us to form a distinct idea of the

true scope and nature of the science of political economy. Industry, we perceive, is a mere agent in the process of production. The subject-matter upon which that industry is employed, constitutes the other agent. The effect resulting from the co-operation of these two agents, falls properly under the head of *production*. The scope of political economy is to *ascertain the natural laws of industry*. By the laws of industry, is meant the rules according to which it acts or exerts itself, in the various circumstances in which men are placed. Laws imply always uniformity. We find, accordingly, that the phenomena of industry are no less uniform than those of other parts of nature. Under similar circumstances, they are the same at all times and places. Under despotic governments, where life and property are insecure, industry languishes and decays. The same cause in turbulent democracies, the insecurity of life and property, produces the very same effect. Under governments of just and equal laws, where life and property are respected and secure, industry is always found most active, enterprising, and vigorous. Where wars are frequent, the prosperity of industry is seldom very great, especially if the nations engaged in them are liable to their inroads. This circumstance, too, must influence, more or less, the direction and application of the national industry, by diverting it from peaceful arts, which administer to comfort or pleasure, to those which furnish the material of war. To a nation exposed to attacks from foreign enemies, the means of defence must constitute no mean portion of the national wealth. It must generally be the result of much industry. The peaceful arts—those which administer to the comfort and enjoyment of life, which increase its pleasures and relieve its pains, which diffuse abundance and happiness wherever they are sought and cultivated—these flourish best where they are the least exposed to the accidents of foreign war, or domestic violence, or to any of those interruptions which are comprehended in the insecurity of person or property. The particular shape which the national industry will probably assume, must depend upon a variety of circumstances—of soil, climate, productions, population, relations (moral, political, and physical,) to neighbouring and foreign states. The extent in which any particular branch of it would be cultivated, would depend upon the demand that existed for the productions of that particular branch of it. Agriculture would probably flourish in a country possessing a fertile soil—manufactures in one that depended upon its neighbours for the food and sustenance of its population—commerce in states differing much in soil, climate, and productions, and so situated as to be able to hold an easy and expeditious communication and intercourse with one another. The history of industry in different countries and at different times, and an attention to the circumstances under which it has existed, and to its particular state and character, afford undoubted proof of the uniformity of its phenomena, and how capable it is of being made the subject of scientific investigation. The history of its progress in the same country, from its rude and imperfect state to one of great refinement—its first feeble efforts, unaided by judicious co-operation and division of labour—its clumsy tools—its ill contrived machinery—its immature, and defective, and scanty results—its gradual improvement in skill and dexterity—its invention of better tools, and more effective machinery—its extending division of labour, and judicious co-operation—its improving processes—its enlarging scope, in the number and variety of its productions—the history of these progressive steps, from the first rude essays of untaught

and unpractised industry, to its regular and systematic operations in civilized and refined communities, combining and uniting, in its co-operative processes, the separate agencies of a whole population in one grand and magnificent result, affords a most striking and instructive lesson, and should teach humility to those who, with a short-sighted policy, and with the swathing bands of restriction and monopoly, would restrain and dwarf the generous growth, and check and disorder the natural circulation and healthful action of national industry.

The coarser and more useful arts, as well as those of luxury, and the more refined and liberal, are but the different shapes and modes which unrestricted industry naturally and instinctively assumes. So of trade and commerce, which, in all their higher, as well as in their subordinate and subsidiary classes and departments, are but parts, more or less important, in the great and multifarious aggregate of human industry. The numerous inventions which have been devised for facilitating the transaction of mercantile business—the institution of banks and bank paper, bills of exchange, promissory notes, money itself,—the division, subdivision, and subordination, of its different departments, exchange offices, interest, securities, mortgages—these, and many other facilities, so important in the transactions of civilized and commercial communities, are not the result of legislative foresight and wisdom, but of the ingenuity and sharp-sightedness of people engaged in the business. They are the result of industry, animated by the love of gain, pursuing its ends habitually by the easiest and cheapest means, sharpened and rendered keener by that very pursuit. The only duty, and the only use of government in such matters, is, to give the sanction of its authority to institutions devised for the advantage of society, by the ingenuity of individuals, but *which, as they imply the creation of obligations, can be productive of a very partial benefit only, unless sustained by the power of the sovereign authority.* Were we disposed to push our generalization to its full extent, we might contend that government itself—which, where it is well-contrived and wisely administered, sustains, defends, and preserves, all other descriptions of industry, by securing property and life, and dispensing justice—is, in fact, but part and parcel of that industry. Government, considered as a means of carrying into effect the sovereign authority, is so, undoubtedly. That its functionaries, or rather those of the higher order, receive honour as a portion of the compensation of their services, does not diminish the value of those services, or take from them the distinctive character of industry. Many other classes of industry do the same. The clergy, the military, professors, and teachers of learning and science, and even lawyers and physicians, are paid, in part, for their services and industry, in the superior respect and consideration in which they are held in society. The compensation of the industry of these several classes, in money, commodities, the products of industry—or, in other words, in *values produced by industry*—would be wholly inadequate, generally, to the value of their services, or to that of the labour and sacrifices by which they are enabled and qualified to perform them. As the respect and consideration which we pay to others, are not commodities for which we have made any sacrifice of labour or industry—as they cost us nothing to part with them, or, rather to bestow them—and as, in fact, it is not a matter of choice with us, whether we do so or not—they can only be looked upon, in political economy, as *an agreeable circumstance* attending on particular descriptions of labour and industry—lightening the

burden of them in a greater or less degree, and, consequently, diminishing, more or less, the exchangeable value of their products.

We have endeavoured, in the foregoing view, to show:—1st, That industry forms the most striking and important difference between barbarous and civilized nations, and that the incalculable advantages enjoyed by the latter, over the former, are to be referred to its effects: 2dly, That industry, properly considered, is the voluntary agency of man, given with a view to the attainment of some desirable object—that it includes, of course, all descriptions of labour, toil, diligence, assiduity, pains, and care, voluntarily encountered, in order to attain such object—that, consequently, it is, 3dly, one description of the consumption of value: 4thly, That although the measure and regulator of value, it is not the foundation of it: 5thly, That, although *it* always implies, necessarily, a *consumption of value*, consumption of value does not necessarily imply *it*: and, 6thly, That it stands in respect to *production*, in the relation of the *cause* to its *effect*.

We have further endeavoured to exhibit the uniformity of its phenomena under like circumstances—its different character and appearance under different circumstances—the different shapes it assumes, according to the different exigencies of society; and hence have inferred the steadiness of its laws, and, consequently, its capability of being made the subject of scientific investigation.

IMPOLICY OF PROTECTIVE DUTIES.*

FROM the tone of the leading journals at the north—the language held at public meetings in the same quarter, and other indications which cannot be mistaken, it has become evident that the old question in relation to the protection of manufactures, is again to be revived. I had entertained some hope for a time that the light which had been thrown upon this subject during the long discussion it underwent previous and subsequent to the year '28, had produced some effect on public opinion favourable to the doctrine of free trade, even in those states of the Union which had always had the strongest bias towards the opposite policy of protection—that the people—the masses—who were not directly interested in the matter as manufacturers, had become sufficiently enlightened to detect the unsoundness of the arguments by which the friends and advocates of this latter system of policy endeavoured to defend it—that, in short, the progress of public opinion in relation to this subject had been such as to render a revival of it as matter of discussion unnecessary. It appears, however, that in this I have been mistaken. The northern and northeastern journals during the last six months, have teemed with articles strongly advocating the doctrines of the restrictive system, and insisting upon the “protection” of manufactures as the only true policy of the country. The friends of this system pretend that it is only by carrying out their ideas—by laying heavy imposts upon all imported articles which *may* be, or which *are* manufactured at home, that American industry can be made to prosper; for, it is by this means, they contend, that additional employment is given to that industry. They contend, in other words, that where all the commodities *consumed* by a community are produced at home, their industry is more fully employed than if a portion of their consumption had been derived from abroad. Now in the first place I must remark, that I conceive this proposition to be wholly gratuitous; and further, that were it true, it would not follow as a necessary consequence, that the amount of *production* of an exclusive home industry, would bear any proportion to the extension and employment of that INDUSTRY.

A community may be very *industrious* and *produce* very little. Its *industry* may be great, and yet from that industry having been *misdirected*, its *product* may be comparatively very small. If the same amount of human exertion and sacrifice, or in other words labour, had been expended in some other way, the amount of useful and necessary commodities might have been greater. If for example England prohibit the importation of tea, and determine to produce it at home, she might no doubt by means of bounties effect this object: but it must be done at the expense of a vast waste of labour; and although the industry of the country might be as great, or greater, than before such absurd freak of legislation, it would not, it is very evident, be as *effectively* employed as it had been.

It has been estimated by political economists that, in order to produce by British labour within the kingdom of Great Britain, the amount of tea

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now annually consumed by the inhabitants of that country, as many hands would be required as are now employed in her entire agriculture. The government of Great Britain, by laying a sufficiently heavy tax upon the people, and by expending the proceeds of this tax in bounties to the producers of tea, would be enabled to divert the labour of the country to the production of this article, and to insure the *production* at home of as much of it as is now imported from China.

But would such a tax be just or wise? The justice, or injustice of levying a tax upon the people must depend upon the object with a view to which the tax is levied. If the object be, for example, the national defence—the administration of justice—the preservation of order, or even the maintenance of the national honour, (which is closely connected and bound up with the others,) all will admit that a tax levied with a view to any of these important national interests, and not heavier than is necessary for their maintenance, would be in the highest degree just and wise; and that the neglect to impose a tax necessary for the accomplishment of these objects, would be a virtual abandonment of all the duties of government. In the case of taxes imposed for such objects as these, the government is in fact the mere agent of the tax payers for disbursing a portion of their means in return for services, performed for their benefit and advantage. The planter, the lawyer, the physician, the merchant, the shop-keeper, &c. pay a tax to the government, and the government disburses it into the hands of the military, the judiciary and the police. A portion of the property of the former classes is taken by the authority of the government and transferred to the possession of the latter; but the tax payers are compensated for this reduction in their means of ordinary expenditure, in the services rendered by the servants of the public to whom the proceeds of the tax are paid. If the army, the navy, the judiciary, or the police should be more numerous than might be found necessary for the due performance of the services they owe their constituents—the tax payers, the effect would be that a greater portion of the community than necessary, would be withdrawn from those occupations and employments which contribute in their results to the increase of the national wealth and prosperity. In other words the entire amount of *services* performed by all the working classes of the community (taking the word *working* in its most comprehensive sense) will be less, and the wealth of the community be so far diminished.

The same mode of reasoning may be applied with equal force to other objects of general concern. When the members of a community purchase imported tea, they may be said to tax themselves to the amount necessary for the procuring that article. They are willing to give in exchange for the quantity of it they desire to consume, the labour, or the value of the labour of fifty thousand British labourers, (for example;) for this is the number of British labourers supposed to be employed in England in the production of those commodities which, directly, or indirectly, constitute the means of purchasing the tea imported into Britain from China. If the parliament saw proper to do so, they might (as I have already remarked,) by means of taxation and bounties sufficiently high, draw a portion of British labour from other employments to the home culture and production of tea. The number of hands employed in the production of tea, instead of being fifty thousand, (the number now engaged in the production of articles with which directly, or indirectly tea is purchased,) would be upwards of one million. Thus would the labour of nine hundred and fifty

thousand hands be thrown away. It clearly makes no difference in the result, whether the tea imported from China (supposing no prohibition) is purchased *directly* or *indirectly*—whether the commodities produced by fifty thousand hands are directly exported to China and exchanged for tea, or whether they are exported to South America, and exchanged for gold and silver, which gold and silver are thence sent to China for the purchase of tea. A few hands more may be employed in the latter case than in the former; and supposing in the former case (that of a direct exchange of commodities for tea,) that fifty thousand hands are employed in the fabric of the article, and five thousand in the exportation of it, and the importation of the tea, we have an aggregate of fifty-five thousand men employed in furnishing the country with a luxury, which, if produced at home by British labour, would require no less than one million of men to raise it: while in the case of an indirect exchange of commodities for tea, where the commodities are first exchanged for gold and silver, and these then exchanged for tea, the whole number of men employed might on a liberal calculation be estimated at five thousand more, which would make an aggregate of sixty thousand. Thus at the very lowest calculation, a saving to the state would be made of the labour of nine hundred and forty thousand hands. Sixty thousand hands would produce the means of purchasing the tea and make the necessary exportation and exchanges; and actually furnish the tea in the British market as well, as if under the non-importation system one million of men had been employed in its production at home.

But (say the advocates of the protective policy) nine hundred and forty thousand hands are thus *employed*. “The very object of our system is, to give employment to labour, and the more hands that are employed in order to produce a given result the better?” It can scarcely be necessary to remark, that if this reasoning is carried out to its legitimate consequences, it must lead us to the most preposterous conclusions. It would follow for example that those nations would be most prosperous and wealthy, which, from the barrenness of their land, or their want of skill in agriculture, were compelled to employ the greatest proportion of their population in raising a bare sufficiency of bread stuffs for the subsistence of the people! And, if the labour of the *entire* population should become necessary for that purpose, then, according to these profound reasoners, the national prosperity and wealth must attain its climax! It would follow also, by parity of reason, that all those tools, machines, and instruments which have been devised by human ingenuity for saving labour, and enabling one man to do the work of ten, a hundred, or even a thousand men, so far from contributing to the wealth and prosperity of a nation, must have a tendency the very reverse of this, and produce poverty, want, and wretchedness!

But let us examine this matter a little more narrowly. Of the one million of men employed under the non-importation system, nine hundred and forty thousand are an actual burthen upon the community. They actually contribute in no degree whatever to augment the annual amount of national production. They *produce nothing*; but, do they not *consume*? *Must* they not have a subsistence? And whence is this subsistence to be drawn, but from the amount or sum of production, resulting from the industry of the remaining portion of the community? They must divide with the other working classes of the community that portion of the food, clothing, and the necessaries which has been set apart as capital, and for the purpose

of reproduction; or, they must encroach upon that portion which has been reserved as a means only of immediate enjoyment. They must either share the wages of the other labourers; in which case, the rate of wages must fall; or, they must be a tax upon the income of the capitalist, or land owner; in which case, though the evil may be less sensibly felt, that sound principle is violated which should secure the property of the citizen against all taxation which is wholly without an object, and which does not in any degree, or in any way, contribute to his benefit, or advantage.

We willingly admit that if, from the operation of natural causes, the denseness of population in proportion to the extent and productiveness of the soil, or the occurrence of some wide spread calamity, a portion of the population of a country should be thrown out of employment, humanity, and even a wise policy would dictate, that they should have a fair claim upon the more fortunate residue of the community for support and subsistence. But the question that we have to settle with the advocates of the protective policy, is, not whether, when this unfortunate state of things occurs from unavoidable causes it becomes the duty of a community to extend its *charity* to those of its members, who, through the act of God, or from some inevitable and hard necessity, have been rendered incapable of replacing what they consume by a corresponding production; (or perhaps, of producing at all,) but whether it be wise or just in the rulers of a country *voluntarily* to *bring about* this state of things, and by legislative enactments to make one portion of the population a burthen and tax upon the rest?

The present condition of Great Britain, burthened as she is with poor-rates, levied for the support of a pauper population who add nothing to the stock of national production, offers a striking illustration of the evils which result from over population, and from causes over which the legislature have no control; evils, (it may be remarked however) which, even in this instance are not a little aggravated by an unwise and narrow legislation. The United States, if the protective policy should be carried out to its results, will afford a no less striking example of a country, which has voluntarily anticipated by legislative enactments, those evils, which, in the natural course of things, belong only to nations far advanced in population, and which have begun already to experience the inevitable effects of that condition, in the dearness of food, and of all those articles of human consumption, which, being produced from the soil, necessarily rise in price, when from a given or limited extent of land it has become necessary by additional labour to raise a greater and increasing amount of them. It results from this dearness of food and necessaries, that all that portion of the population who from age or natural defects, or accidental misfortune, are incapable of contributing to the amount of national production, or who contribute but a very small proportion, are thrown upon the charity of the rest of the community. In this case, the evil is the effect of the dearness of human subsistence—of the necessity of giving a high average amount of labour for a given quantity of food and necessaries: in the case of a protective system, it is the effect of a legislative enactment which *intentionally* raises the price of an article of manufacture to the consumer, *in order* by this means to draw to the home production of this article more labourers or more capital than would be necessary to produce it by commerce and importation from abroad.

It would appear then sufficiently obvious, that where from some circumstances of soil or climate, or other permanent cause, an article can be pro-

cured from abroad at a less cost of labour, than would be necessary to its production at home, any system of impost which shall lead to the exclusion of the *foreign cheap* article and the production of the *dear home* one, must in a greater or less degree diminish the amount and sources of national wealth.

But it will be objected perhaps that this reasoning does not apply to the question which has been raised as to the expediency or in expediency of levying a protective impost upon those articles of British manufacture which may be equally well, and with as little cost of labour, manufactured in the United States. It may be readily admitted that with the aid of equally good tools and machinery, and with equal skill and knowledge (and the latter if not possessed may soon be acquired) the American will be found capable of producing as much work and as good, in the business of manufacture, as the Briton. But this is not at present the question. The question is, whether, with a given amount of capital in the United States, (let this capital be estimated either in money, or in the necessary subsistence and comforts of the labourer) as large a return in manufactures can be produced, as would be produced in England. The answer is *that it could not*. It is well known that both money wages and real wages are lower in England than in this country, and it follows, that a given amount of capital will command, in the former country, the services of a greater number of workmen than it would in the latter; and that it would consequently bring a larger return in the shape of manufactures. This simple fact then that wages, both real and money wages—are lower in England than in the United States, enables the manufacturer in the former country with a given capital to produce a larger amount of manufactures than could be produced in the latter with a similar capital. This alone would enable the English manufacturer to sell his goods at a cheaper rate than the American could, and yet make an equal profit. But this is not all. The situation of Britain differs from that of the United States in another very important particular. The amount of her capital is very large compared to the means she has of employing it profitably in reproduction. Profits consequently are low. Even supposing therefore that the American manufacturer could produce as much work from a given capital as his English rival, he would not be satisfied to sell it at the same low price; because in America, from the comparatively small amount of capital in proportion to the means and opportunities of employing it profitably, profits upon capital have always been high.

It may be remarked in conclusion, that this difference between the situation of the United States and that of Great Britain is in its nature *permanent*. The advantages which it gives the latter country in enabling her to sell her manufactures at a low price are not of a nature to make us envy her; since they result from the superiority of our position in being able to obtain greater profits upon capital, and higher wages for labour. Those advantages, however, such as they are, Britain is likely to retain; and it is to be hoped, for the sake of America, *that she may long retain them*. When she shall cease to possess them, America too will have ceased to possess those advantages which *she* now enjoys in having high profits upon capital, and high wages for labour. America enjoys these advantages in virtue of her position—possessed as she is of an unbounded extent of fertile territory—the greatest variety of soil and climate, and all the elements of wealth and prosperity in an endless profusion. If England, by a miracle should

become possessed of similar advantages of position, will any man in his senses believe that English manufacturers would be contented with the low profits which they now receive upon their capital? They must either exclude, by means of a high tariff, the French, German, and other European, and perhaps even Asiatic manufactures from their market; or, they must change the employment of their capital from manufactures to agriculture—from the mere working up raw materials, to the production of the raw materials themselves. If the first of these measures should be adopted, and the statesmen of England should concur in the adoption of a tariff of protection, they would do that, which to a certain extent has been done in this country: they would prevent the capital employed in manufactures from being diverted into those *more profitable channels which had just been opened*; and prevent consequently that rise both in profits and wages which, but for this legislative interference, must have taken place, and have led the country forwards in a train of constant progression and prosperity.

Much more might be said in illustration of this view of the question of the protective policy, as well as upon other points not touched; but I have already too far exceeded the limits to which, in a communication of this sort, I should have confined myself, and must conclude. Should the foregoing suggestions upon this important subject be deemed worthy of a place in your able journal, I may be tempted in some interval of leisure to trouble you once more.

In the communication I made to your journal a few days ago, I endeavoured to show, that what is called the “protective system” is founded in error—that to lay a duty upon the importation of commodities of foreign production, with a view of encouraging (as it is termed) the production of the same classes of commodities at home, is inconsistent with any clear view of sound public economy—that it leads, in its necessary effect, to the adoption of the dearer and more expensive, instead of the cheaper and less costly methods of production—that it proceeds upon the principle of increasing instead of diminishing the labour or the capital necessary to the production of a given amount of work—that in consequence of this, it renders a portion of the labour, or a portion of the capital of the country unproductive—and that it diminishes therefore the amount of national production, and operates as a tax upon the community, for the payment of which they receive no return in services, and which consists, *not* in a mere transfer of property from one hand to another, but in its *absolute annihilation*.

With respect to those articles, whether of manufacture or of raw produce, which it requires more *labour* to produce at home than it does to produce the means, directly or *indirectly*, of obtaining them from abroad by commerce and exchange, the views which I have presented of the question as it relates to *them* can need, I imagine, no farther elucidation.

With respect to those articles, on the other hand, in the production of which American is equally efficient with British or foreign labour, and which do not require more *hands immediately employed upon* them to produce them; but which, from the high rate of wages in America, require the employment of *more capital* than in the foreign country, in order to produce a given amount of them, I shall add a few farther observations in addition to what I have already said.

I shall begin by observing that by the capital of a country is meant that portion of its valuable effects, or property (exclusive of land) which is set apart for the purposes of reproduction. It follows then that if, supposing the entire wealth of the country to be a given quantity, the productive portion of it, or capital, is increased, that portion of it which goes to unproductive consumption is necessarily diminished. This latter portion of the wealth of the country is consumed, (as the terms unproductive consumption imply,) without giving any return *except* in the enjoyments and gratification afforded by the consumption itself. It must be further remarked, that productive capital may be divided into two distinct parts or classes—that part which merely aids or saves labour, by enabling one man to do the work of many; and that which feeds, clothes, warms and houses the labourer—the former consisting of tools, implements and machinery, farm houses, store houses, &c., and the latter of food, clothing, fire and dwelling houses, commonly called *wages*, and represented by money. Now these things constitute the *real* wages of labour; and the condition of the labouring classes in different countries, compared with one another, is determined by the relative abundance or scarcity with which they are provided with these articles of necessity. Now to show how the condition of the productive and labouring classes may be affected by the imposition of a duty upon the importation of foreign productions, I will suppose a case which, I think it will be admitted, is not very different from what has actually occurred in this country. We will suppose then, that in a country where cotton stuffs enter largely into the consumption of the labouring class, a duty is laid upon all articles of cotton clothing coming from abroad. The effect of such duty must be, under ordinary circumstances, to raise the price of the goods upon which it is levied; for the importer of the goods must add the duty to the price which he pays for them abroad, and must make an average profit upon this aggregate cost. But a rise in the price of a commodity is usually followed (always unless checked by some new cause) by a diminution in its consumption.

If the commodity should be one of the first necessity, as corn for example, the diminution in the consumption of it would be comparatively small perhaps, and be perceptible only in a more careful economy in the use of it. Luxuries, and even comforts must be sacrificed, before necessities can be given up. In the case of imported cotton clothing, if the duty should be high and the consequent rise of price be considerable, the diminution of consumption might be great. Now, if we suppose, what may easily happen, that the aggregate price should be the same, while the aggregate amount of the commodity consumed is considerably diminished, it would appear that in this case, one of the effects of the duty would be, to oblige the community to stint themselves in the use of the commodity, and the other, that the amount of duty would be placed at the disposal of the government; which, by a wise employment of the sum thus drawn from the expenditure of the people, might indemnify them for the sacrifice they had been compelled to make in the enhanced price of their clothing. This is the simple case of a duty laid with a view to revenue. But let us suppose one laid, with a view of “encouraging” the employment of capital in the production at home of the same descriptions of goods which had been hitherto imported from abroad. And for this purpose let the price of the imported goods be raised so high by means of a heavy duty as to enable the (let us say) American capitalist to employ his capital with a remunera-

rating profit in the production of similar goods at home. The effect of this would be, that the goods would be furnished to the consumer partly by American *manufacturing* capital, and partly by *commercial* capital: but whether by the one or the other, the consumer is compelled to pay an addition to the former price; for the commercial capital necessary to import a given amount of such goods is *increased by the duty*, and the manufacturing capital is *increased by the necessity of paying higher wages*. *Supposing, then, both the commercial and manufacturing capitals to be American, it would appear, that in consequence of the duty, it had become necessary to employ a larger portion of American capital, in order to furnish the consumer with a given amount of goods.* I would ask the champions of a high protective tariff, whether they consider that a country is benefited by being obliged to *increase* the amount of capital necessary for the accomplishment of a given object—the production of a given amount of commodities? If so, it would follow, that if the whole of the capital now employed in the United States in agriculture, commerce and manufactures, were concentrated upon agriculture alone, and produced no more of the fruits of the earth than are now raised by a portion of that aggregated capital, the country would be a gainer by it! The example of England may serve to throw some light upon this point. Her policy, the opposite in some respects of that of Mr. Clay and his admirers, is the encouragement of agriculture. Her corn laws, by taxing foreign corn, raise the price of corn grown in England, and this leads to the employment of a larger capital in the cultivation of corn than would otherwise have been so employed. But as the lands taken into cultivation in consequence of this artificial stimulus are comparatively sterile and unproductive, *the yield is small in proportion to the outlay. The entire capital of the country is by this means rendered less productive.* A portion of it is (as it were) paralyzed, by being employed upon land which scarcely yields more than is required for its cultivation. If, instead of being thus unproductively employed, it had been converted into manufacturing capital, its product would have been far more valuable, in the shape of manufactures, and would have furnished the means of purchasing from abroad an amount of corn far greater than the same capital would yield when *laid out upon a poor and unproductive soil.* The error of this policy is of the same nature with that of the “American protective system,” as it has been improperly and absurdly called. The principle is the same. The only difference is, that the British protective system, or in other words, *the corn laws*, tax the community for the purpose of drawing as much capital as possible to the cultivation of land, and by that means of raising rents and the value of land, for the benefit of the land owners—while the American system seeks by the same process of taxation to draw the capital of the country to the business of manufacture, in which, for reasons already stated, it appears it is comparatively unproductive. These are, as we have said, *the high wages and high profits* which prevail in the United States. It is for these reasons that a capitalist in America cannot be induced to employ his capital in manufactures, (or, at least, in certain manufactures where much labour is required,) unless the price of the manufactured commodity is artificially raised by taxation, or the imposition of duties. The high *wages* oblige him to increase the amount of his capital with a view to a given result—the production of a given quantity of manufactures; and the high *profits* which may be made in other employments of capital naturally attract his capital to *them*, and *from* those in which the

product in the shape of manufactures is small in proportion to the necessary outlay or capital, and would *not* afford a remunerating profit, but for the tax laid upon the consumer in the shape of an enhanced price, which, if he pays it, prevents his buying some other commodity which he had been in the habit of consuming; *and thus discourages one branch of industry as much as it encourages another*; it being kept in mind, that had no such tax been imposed, the community would have been *better* furnished with that description of commodities of which the *home* manufacture is encouraged, and have *continued to consume other commodities, which, in consequence of the tax, they have been compelled to give up, and which, consequently, are no longer produced.*

In the foregoing observations, I have made little or no allusion to the proceeds of the impost, or to the disposition that may be made of them; and the way in which that disposition may affect the public weal, in an economical point of view. It is almost too obvious to need remark, that where a duty is laid with a view to *diminish* or to *prevent* foreign importation, the proceeds of the duty could never have been contemplated as an essential or important part of the act *imposing it*. A heavy duty laid upon an imported article, may often have the effect of a prohibition. Some similar article may be substituted in its place, upon which no duty, or a light one, may happen to have been laid. So, where heavy duties, with a view to discourage importation, and “protect” (as it is called) home manufacturers, are laid upon a few favoured articles, their effect could add but little to the amount of the public revenue. A revenue law, in order to be effective, must lay moderate imposts upon *a great number of imported articles*; while a protective law must lay *heavy imposts upon a few only*. The former proceeds upon the principle of checking importation in the *smallest degree possible*, compatible with the raising a revenue—the latter, on the contrary, *seeks to check and discourage it as an essential part of the protective system.*

I could have wished, had it been possible within the limits to which, in a communication of this sort, I feel obliged to confine myself, to touch upon some other points connected with the present subject. One of these is the necessarily unequal operation of a protective tariff, in relation to the different sections of the Union; not to speak of the injustice of protecting *one* branch of industry, while *others*, not less entitled to favour, are neglected—the discontent and jealousies which must naturally arise out of this state of things; and the political intrigues, and political dishonesty, which are its sure and inevitable results. I could have wished too, to say a word upon the subject of the causes to which must be attributed the high wages and high profits which prevail in this country, compared with most other communities of the world; and to show that the advantage gained by the manufacturing capitalists, as the result of a protective tariff, is in its nature temporary. That they cannot permanently make higher profits than other capitalists in their own sections of the country, or in other parts of the country equally well situated for the purpose of carrying on the business of manufacturing—that the high profits made by the protected manufacturers at *first*, (and always at the expense of the consumer,) must soon be reduced by competition to the level of the ordinary rate of profits; and that this ordinary rate—taking the country at large—must, as a consequence of what we have already (we hope) proved, viz. the diminution in the amount of the annual production of national capital—be reduced *below* the

level at which it had stood, *previous to the enactment of a protective law, and to the interference on the part of the legislature to prevent the free development of the national resources*, and to direct the industry of the country into channels in which, from the circumstances in which we are placed, and our relations to foreign countries, it is found to be comparatively unproductive.

A POSITION OF THE FRIENDS OF THE HIGH TARIFF EXAMINED.*

I propose in the following paper to examine a position in relation to the question of free trade; which, as it has been frequently employed by the advocates of the restrictive system as an argument in favour of their views of commercial policy, and has even on many occasions been brought forward on the floor of Congress by men of the highest reputation for talents, may naturally be deemed more entitled to attention than upon a nearer view of the matter it will be found I think to merit. The position I allude to is, "that were all nations (that is, all nations with whom we have commercial intercourse,) to adopt the system of free trade, the advantages of that policy would be unquestionable; but that so long as foreign States adhere to the opposite system of commercial restrictions, we have no choice left but to meet and counteract their restrictions upon our trade, by the imposition of similar restrictions upon theirs." Now, to the first branch of this proposition I give my most cordial assent. The advantages of the free trade system upon the supposition of its being adopted by foreign States *are unquestionable*, and are admitted (as it appears) even by the advocates of the opposite policy. The question then that we are to examine, is, whether, when foreign States have adopted a *different* policy, and have loaded our commerce with them, with imposts and restrictions, it is still advantageous for ourselves to adhere to the free trade system, laying only such moderate duties as are necessary for the purposes of revenue? Whether the injury done to our commerce by the impositions laid upon it in foreign ports is in any degree alleviated, or *counteracted*, by our laying similar impositions upon their commerce in our ports? The answer is that as a general rule, it is not. That so far from the injury being alleviated, or counteracted by such retaliatory measures, it is only in fact aggravated. It must be considered that when a foreign state, (England for example) lays an impost upon American produce, the effect of such a measure is not (as some would seem to suppose) confined to the injury which America sustains. England *too* sustains an injury, though inflicted by herself. She cripples American commerce it is true, by contracting the market for the sale of American products; but, by the same act, she obliges her own subjects to purchase American products at a price, enhanced, in proportion or nearly so to the amount of the duty. Let us suppose the American product on which the duty is laid in British ports, to be cotton (for example.) The effect of the duty will be to raise the price of that article in England, though at the same time perhaps to depress it (at least for a time) in America. If the price is depressed in America, it is because the exporter of the article to the British market is compelled to demand in England, the price which he has paid in America, added to the duty which he pays in England, together with an ordinary profit upon the

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aggregate. The rise of price in England leads to a diminution of consumption, which thus acts upon the price in America in depressing it.

If this depression were permanent, and to the amount of the duty, America alone would be the sufferer; but as it is the effect of the diminished demand for the article (occasioned by the diminished consumption of it in England) and the consequent change which has taken place in the proportion between supply and demand, it will continue only until the natural equilibrium shall have been restored, and the supply diminished to correspond with the lessened demand. The price of the article in America however, though not so much depressed as at first, might still continue less than it was before the diminution in the demand for the article took place. This would be, not merely probable, but, in the case of so important an article of export as cotton, quite certain, from the difficulty that would arise of finding an equally profitable employment for capital in other departments of industry, and also from the diminished extent of cultivation affording a better choice of lands, and tending therefore to lessen the cost of production. This conclusion, it must be remarked however, proceeds upon the supposition of the foreign duty being sufficiently high, to cause a great and sensible diminution in the consumption of the article, and consequently in the demand for it; and upon the further supposition of the capital and labour employed in the exporting country in the production of cotton, bearing a very large proportion to that engaged in other pursuits of industry. To what extent the price of it would be depressed, cannot of course, except in a comparative sense, be predicated, even in any particular case, and with a knowledge of all the circumstances connected with it. Our aim however is, not to follow out all the various results which must take place under every variety of circumstances; but to point out the leading principles which govern the question; and to show, that under ordinary circumstances, the imposition of a duty upon an article of our produce in a foreign country, though it may in some degree depress the price of the article in the exporting country, must have the effect of raising it, and consequently making the article dearer in the country which imports it. *The permanent depression of the price* in the exporting country, may, in some cases be scarcely perceptible, because the article may have been, before the imposition of the duty sold at the lowest price consistent with an ordinary profit to its producers; and, considered as one of the branches of industry, may not be of sufficient importance when compared with the rest, to render its prosperity or decline a subject of national concern. In such a case the country imposing the duty must be the chief, if not the only sufferer, and must pay for its consumption of the imported commodity *the whole of the tax levied, in the shape of an enhancement of price*; for, as the importing merchant pays the same price to the producer (say in America) and must pay the duty in addition upon its importation into England (to take the former example), he cannot but be a loser unless he obtain the original price thus augmented by the duty, together with the ordinary profit upon his outlay. If the enhanced price should under these circumstances affect the amount of the article consumed, the only effect which this would produce in the exporting country would be, an adaptation of the supply of the commodity to the diminished consumption, and the consequent transfer of a portion of the capital and labour engaged in its production, to some other employment. This last result, though not necessarily followed by any perceptible, or sensible diminution in the general rates of wages and

profits, must always be attended with some actual loss it is true, to the sum of the national wealth; as it implies a forcible change in the natural distribution of the capital and labour among employments. If, on the other hand, the enhanced price is followed by no diminution of consumption, which may sometimes, though it does not often happen, *England who imposes the duty, will alone suffer from the consequences of her own act.* The commodity cannot be produced in America at a less price—the duty must be paid by the importer and added to the price in England; and the English consumer is willing, rather than diminish his consumption, to pay this accumulated price. *Here then is a case in which a duty, designed in the wisdom of legislation, (perchance) to alleviate, or counteract the restrictive measures of a foreign country, has no other effect, than to burthen with a tax, those who were intended as the special objects of its protection.* But what is true in this regard of England, is, under like circumstances, true of any other country. *A duty therefore may be laid in the United States, upon a commodity imported from a foreign country, which shall have no other effect than that of raising the price of it in their own market, and that to the whole amount of the duty, and consequently of taxing their own citizens who consume it to just that amount.* In order to illustrate still further the principles which belong to the question, we will suppose a case not varying much from the actual relation in which the United States stand towards England. The value of a certain raw material (cotton for example) supplied by the former, falls short of being a fifth part of that of the manufactured goods which are wrought from it, by the skill of the latter. Of the amount of the manufactured goods, more than a third is consumed in England, and the remainder exported. Of the latter portion, the United States may take one half, that is, less than a third of the whole value of the goods manufactured. Now let us suppose the United States government to lay a duty upon the importation of these manufactured goods, what will be the effect of such a measure? If the duty is so high as to be prohibitory, the first effect must be to reduce the price of the manufactured goods in England, and in the foreign countries to which she still can send them; the supply being for the time greater than the demand. The second effect must be to reduce the amount of capital employed in manufacturing in England, *and to lessen the demand for the American raw material.* At the same time the American consumer of the manufactured goods in question, that is, eight-tenths of the population, is compelled to forego the use of commodities, many of which, from habit or other causes, may have become necessities of life; or, after the lapse of a longer or shorter period, to purchase them of the home producer at a great advance of price; and I have* elsewhere shown that this enhancement of price is not in its nature temporary, but arises out of the circumstances connected with our situation, and the relation in which we stand to older nations, where profits and wages are comparatively low. It appears from this, and the previous examples, that the consequences of laying a duty upon foreign imports are far more complex in their nature and bearings, than they are generally supposed to be; that they vary with circumstances, and with the varying relations in which nations stand towards one another in their commercial intercourse; and that it is taking a very narrow view of the subject to suppose that the whole burthen of the duty must, as a matter of necessity, fall upon

* Two articles in the Charleston Mercury.

the country on the importation of whose produce the duty is imposed; when, as it appears from some of the examples, the very reverse of this is just as likely to be true. Commerce between any country and the rest of the world consists simply in *an exchange of commodities*; and the more of foreign commodities that the former can obtain in exchange for those of its own production from the latter, the greater must be its commercial prosperity. *Now, whatever the amount of goods which may be exported to foreign countries, that amount constitutes the fund out of which must be paid the cost and expenses of the entire amount of importation; it follows then, that if that cost and those expenses be increased, whether artificially by a duty, or by any other cause, either the importation must be diminished, or to prevent this, the exportation must be increased: in either case the result must be, as a matter of necessity, a loss to the amount of the national wealth.*—This is the broad rule which we should keep in view in examining the present question. It admits of no exception or qualification, unless in those cases in which the imposition of the duty has the effect (as we have seen it sometimes has) of influencing, by depressing the price of imported commodities in the producing and exporting countries. The cases, however, in which any such effect can take place permanently, are rare. If in consequence of the duty the foreign commodity is less in demand for exportation in the producing country, the only effect, beyond a temporary depression of its home price, is the transfer of capital and labour from the business of producing it, to some other employment; when its home price would again rise, and its price in the importing country be permanently higher, by the amount of the duty, than it was previous to its imposition. Would not a colony, dependent upon the mother country for a market, form an exception to the general rule? might not the mother country by means of high duties imposed upon the importation of colonial produce compel the colony to bear the burthen of the duties? Would not the colony, having no other market but that of the mother country, and few other employments for labour and capital (it may be) than those which minister to her wants, and are dependent for their continuance upon the supply of her demands, be compelled by the imposition of duties in the ports of the mother country upon the importation of colonial productions, to abate somewhat of the colonial prices? in other words, to take less of the products of the mother country in return for those of the colony? Thus enabling the mother country to lessen the amount of her exportation, while that of her importation should continue unimpaired, and thus enriching her at the expense of her colony? *The dependence of the colony upon the mother country would enable the latter to obtain temporary advantages, without doubt; but it may be very much questioned whether in a general scheme of policy, it would be wise or prudent (and certainly it would not be just) to burthen the restricted and monopolized commerce of the colonists with onerous imposts; admitting even that the mother country would by so doing, for a time, and to a limited extent, be a gainer. The prosperity of the mother country, it cannot be denied, may often be greatly dependent upon the rapid growth and improvement of the colony; and these latter conditions can scarcely be conceived compatible with the supposition of oppressive and enormous taxation. The case of a dependent colony, therefore, it would appear, can scarcely be regarded as forming an exception to the general principle which we have endeavoured to establish; to wit, that heavy imposts upon foreign importations are, except where abso-*

lutely necessary for the purposes of revenue, contrary to all sound and just ideas of public economy; that they do not counteract the injurious effect of similar restrictions imposed in foreign ports—that so far from it, they only aggravate the evil; and, in their tendency and principle, *are destructive of all the benefits arising out of the commercial intercourse of nations.*

It is assumed, it must be kept in mind, in the foregoing remarks, that a duty is laid, not for the purpose of necessary revenue, (which all are ready to admit a sufficient reason for its imposition,) but to counteract, as it is expressed, the injurious effect of foreign restrictions, and under the idea that the burthen of the tax thus levied must, as a matter of necessity, be borne by the foreigner whose commodity is subjected to the impost. The inevitable inference from such a doctrine would be, that imposts upon foreign commodities always, and apart from the necessary purposes of revenue, must in themselves, and without looking beyond them, be regarded as a national benefit.

I trust that, in what I have said above, I have sufficiently exposed the fallacy of such opinions, and shown that all imposts *are in themselves* an evil, and that, as a general rule, there is and can be no good or sufficient reason for imposing them, *except the necessity of raising revenue.*



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